The China Weekly

REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

Lukouchiao, Japan's Economic Plan and Developments in the North

ARTICLES IN THIS ISSUE

Lukouchiao and Japan's Military-Economic Program in the North

Nanking Alleges Japanese Used Truce in North to Gain Time for Reinforcements

Woodhead on the Salt Gabelle and the Consortium

Council May Stop Opium License Scheme in Settlement

United States to Sell Large Quantities of Gold to China in Exchange for Silver

Notorious Opium King at Foochow Taken into Custody

(*By the Review's Foochow Correspondent*)

Japan Fires the "First Shot"—China Resists at Lukouchiao and Elsewhere . . . . By C. Y. W. Meng

What Japan's Army Wants . . . . . By Guenther Stein

Britain Lays Foundation for Strong Friendship With China . . . . . By C. Y. McDaniel

Soviet Union Wrestles With Trotzkyism . . By Vera Micheles Dean

SATURDAY, JULY 17, 1937 VOLUME 81, NUMBER 7

THIRTY CENTS A COPY

(In Shanghai)

FORTY CENTS ELSEWHERE

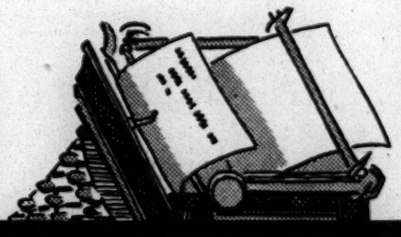
SHANGHAI POWER COMPANY

POOR LIGHT

will slow up your office routine.

Working in dull light causes eye-strain—which reacts on the entire nervous system, resulting in tiredness, headaches, and irritability.

CHECK THE LIGHTS IN YOUR OFFICE TODAY



LIGHTING REPRESENTATIVES at our Nanking Road office will be glad to advise customers on their lighting problems, without cost or obligation.

For Fast and Efficient Radio Telegraph Service to all Parts of the World Send

RADIOGRAMS

"Via RCA"

RADIO IS THE QUICKEST AND MOST RELIABLE MEDIUM FOR ALL TELEGRAPHIC COMMUNICATIONS. IT HAS BROUGHT ABOUT RATE REDUCTIONS AND INAUGURATED NEW CLASSES OF SERVICE TO MANY COUNTRIES. . . .

In CHINA file your messages "via CGRA—RCA"

(Chinese Government Radio Administration
R.C.A. Communications, Inc.)

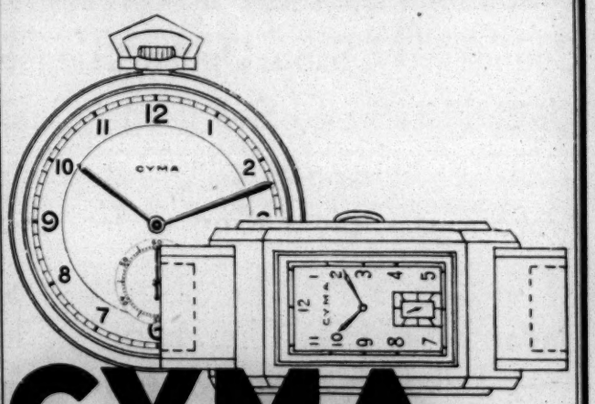
R.C.A. Communications, Inc

(A Radio Corporation of America Service)

HEAD OFFICE FOR CHINA :— TEL. NO.
201-202 Sassoon House, Shanghai 19251

AGENCIES :—

Tientsin: 65 Consular Road	Tel: 31430
Hankow: N. K. K. Bldg. 1 Bund	Tel: 21773
Hongkong: Dina House	Tel: 30692



CYMA

CYMA-WATCHES

WORLD-WIDE KNOWN FOR QUALITY AND ACCURACY

KEPT IN STOCK BY ALL LEADING WATCHMAKERS AND DEPARTMENT STORES

Agents:

China Export - Import & Bank Co.

138 Kiangse Road, Shanghai

密勒氏評論報
The China Weekly REVIEW

Formerly Millard's Review

中華郵政特准掛號立券之報紙

Registered at the Chinese Post Office as a Newspaper for transmission with special marks privileges in China

Volume 81 | Shanghai, China, Saturday, July 17, 1937 | Number 7

THE CHINA WEEKLY REVIEW

Formerly Millard's Review

Cable Address "REVIEWING SHANGHAI"

PUBLISHED AT NO. 160 AVENUE EDWARD VII, SHANGHAI, CHINA, BY MILLARD PUBLISHING COMPANY, INCORPORATED BY THE LAWS OF THE STATE OF DELAWARE, UNITED STATES OF AMERICA.

J. B. POWELL, Editor and Publisher; GEO. W. MISSEMER Asst. Editor; TRYPHON V. KU, Advertising Dept.; F. K. CHAO, Business Dept.

YEARLY SUBSCRIPTION, FIFTY-TWO ISSUES, TWELVE DOLLARS (CHINESE CURRENCY) IN ADVANCE, POSTAGE INCLUDED IN CHINA AND JAPAN. IN THE UNITED STATES AND FOREIGN COUNTRIES EIGHT DOLLARS U.S. CURRENCY. REMITTANCES FROM OTHER COUNTRIES THAN CHINA AND THE U.S. CAN BE MADE BY INTERNATIONAL MONEY ORDER. ENTERED AS SECOND-CLASS MATTER IN THE CHINESE POST-OFFICE AT SHANGHAI IN MAY 1917.

Contents

Editorial Paragraphs

Council May Stop Opium License Scheme in Settlement 225
Woodhead on the Salt Gabelle and the Consortium 226
Lukouchiao and Japan's Military-Economic Program in the North 229

Special Articles

Nanking Alleges Japanese Used Truce in North to Gain Time for Reinforcements 232
United States to Sell Large Quantities of Gold to China in Exchange for Silver 241
Japan Fires the "First Shot"—China Resists at Lukouchiao and Elsewhere...By C. Y. W. Meng 243
Notorious Opium King at Foochow Taken into Custody 244
What Japan's Army Wants ...By Guenther Stein 246
Soviet Union Wrestles With Trotzkyism..... By Vera Micheles Dean 250
Britain Lays Foundation for Strong Friendship With China.....By C. Y. McDaniel 251
Who's Who in China 257
Men and Events 258
New Books of Interest in the Far East..... 260

CONTENTS OF PREVIOUS ISSUES OF THE CHINA WEEKLY REVIEW MAY BE FOUND IN THE "INTERNATIONAL INDEX TO PERIODICALS," COPIES OF WHICH ARE ON FILE IN MOST STANDARD LIBRARIES.

COMMUNICATIONS PERTAINING TO SUBSCRIPTIONS OR ADVERTISING IN CHINA OR ABROAD SHOULD BE ADDRESSED TO THE CHINA WEEKLY REVIEW AT 160 AVENUE EDWARD VII, SHANGHAI, CHINA, TELEPHONE 14741. CABLE ADDRESS "REVIEWING SHANGHAI."

COUNCIL MAY STOP OPIUM LICENSE SCHEME IN SETTLEMENT

ACCORDING to an exclusive report in *The China Press* on July 14 the Shanghai Municipal Council may reject the scheme for licensing opium smokers in the International Settlement which had been proposed by Chinese interests connected with the Municipality of Greater Shanghai. The subject was discussed in last weeks' issue of *The Review* and has received major attention in practically all of the foreign newspapers which have unanimously opposed the plan. The licensing scheme, according to the report, provided for the establishment in the Settlement of a special "drug eradication" bureau which would have charge of the issuance of licenses to smokers, the licenses being obtained from the Police Bureau of the Chinese Municipality. Addicts who were arrested for violation of the regulations were to be turned over to the Chinese authorities for punishment. The licenses were of two types, one costing $5 entitled the holder to possess 10 days' allowance of opium. The license was valid for 6 months and was not transferable. The other license cost 60 cents and was good for three days' supply.

It was brought out in the course of a series of articles published in *The Shanghai Evening Post* that there was no restriction on the number of licenses any one individual might possess and that the licenses, in actual practice, merely permitted persons to possess and transport opium about the Settlement without fear of arrest. Under present conditions the Settlement police arrest persons detected in transporting opium, dealing in the drug or smoking and, while enforcement is no efficient, the Settlement with its population of about a million Chinese citizens is about the only area—excepting Nanking and Tsingtao—where opium smoking and dealings in habit-forming drugs have been reduced to a minimum.

That public opinion among both foreigners and Chinese was opposed to the opium licensing program in the Settlement was due, primarily to

a well-grounded fear that it would result in the recrudescense of opium gangsterism such as prevailed in the foreign settlements several years ago. It was brought out that many of the so-called official opium wholesale and retail establishments which have been opened in the Chinese areas and which are supposed to obtain their supplies from Chinese sources in the interior, are actually obtaining illicit supplies from Japanese and Korean dealers in Manchukuo, Jehol and Tientsin.

According to the article in *The China Press*, officials of the Municipal Council were quoted as stating that the opium-licensing scheme "has little, if any, chance of being approved by the Council." It also was stated that the special committee appointed to draft a report on the subject consisting of Stirling Fessenden, Secretary-General; Major F. W. Gerrard, Commissioner of Police and R. T. Bryan, Jr., Municipal Advocate, had not yet drawn up its report and a prediction was made that it "would be rejected."

Considerable apprehension was expressed about complications likely to develop in the event the police of the Settlement arrest Chinese citizens possessing licenses issued by the Municipality of Great Shanghai and the suggestion was made that when such law-violators (in the Settlement) were turned over to the Chinese courts, they probably would be released, in view of the fact that such licenses now are legal in Chinese areas.

WOODHEAD ON THE SALT GABELLE AND THE CONSORTIUM

ONE of the anomalies of foreign journalism as practiced in Shanghai is that H. G. W. Woodhead, a Briton whose "die-hard" writings are anathema to most of the younger generations of Chinese, is able to obtain circulation for his views through the *Shanghai Evening Post*, an American daily which, in other respects, usually follows a liberal policy. But the older foreigners and those who would like to keep China in her place—wherever that is—like Woodhead's writings and that probably explains why his connection with the *Evening Post* is maintained. There is one place where Woodhead has it over most of the foreign journalists; he arrived in China in 1902, shortly following the Boxer rebellion—when the foreign powers did put China in her place—and he has remained here continuously. That means he has been here, in newspaper work, for more than a third of a century, hence is in a position to slay most of his opponents when it comes to dates and conditions of the old treaties. . . .

We mention this point because Woodhead stirred up a considerable commotion a few weeks ago when he referred in his column (June 19) to Dr. H. H. Kung's trip to Europe and the United States as a "Loan Hunting" expedition, these words actually appearing as a sub-head in the article. The controversy, involving certain American advisory employees of the Chinese Salt Gabelle, resulted from Woodhead's sarcastic reference to China's "deliberate violation of the conditions under which its reorganization was inaugurated, which called for the selection of a British subject as Associate-Inspector-General." Woodhead also waxed sarcastic over a statement attributed to Dr. Kung that China would be able to save $30,000,000 if she could obtain a loan at 4 percent—in place of the 6% and even higher rates of interest the country is now paying. Of course, those bankers who hold the loans drawing high rates of interest would not like to have to exchange their bonds for new ones bearing only 4 percent. Woodhead was not optimistic regarding Dr. Kung's ability to obtain a new loan in England, pointing out that there were "still many obstacles in the way" one being the circumstances of the old Consortium Agreement still being in effect.

The Consortium agreement was negotiated at the Versailles Conference, following the first World War, when the leading powers—doubtlessly suffering from qualms of conscience—decided to adopt a new deal in connection with their financial activities in China. It was argued that the old competitive policies of the powers had tended to split China into "spheres of influence," and worse, it was causing hard feeling among the powers themselves. Therefore, the powers, or rather their representatives at Paris, instructed their respective banking interests to form a "Consortium" or pool through which loans would be advanced to China as a unit, without national ear-marking, or reference to particular sections of the country. In other words, the old "sphere of influence" policy was to be discontinued and Thomas W. Lamont, leading partner in J. P. Morgan and Company, was sent to the Far East to explain the idea to the Orientals. Specifically, Mr. Lamont was instructed to inform the long-suffering Chinese people of the new altruism which was expected to characterize the dealings of the powers in this part of the world in the immediate future. Also, he was instructed to convince the Japanese that they should surrender their claims to Manchuria and Inner-Mongolia as a "sphere" of Japanese influence, wherein the bankers and concessionaires of other powers were not expected to tread.

It due course Mr. Lamont arrived in China with more impressive credentials than any foreign banker previously had ever carried in his portfolio. Shortly after his arrival he made a speech before a gathering of foreign and Chinese businessmen and bankers at the old Astor House Hotel, which was almost religious in its promise of a new day and new deal for China at the hands of the foreign bankers. Mr. Lamont remained in China

for several weeks and made numerous speeches, but the Chinese people—aware of the action of the delegates of the allied and associated Powers in handing over Shantung to Japan—refused to accept his assurances. Worse, the Cantonese nationalists, then beginning to feel their strength, announced their intention of repudiating the whole Consortium arrangement and declared their hope, when they got into power, of borrowing money when and where they pleased. Mr. Lamont also experienced considerable trouble in his attempt to convince the Japanese that they should not be selfish about Manchuria. He was finally compelled to admit, in an indirect manner, that the Japanese had "special rights" in the northeastern provinces. Later on Mr. Lamont rather went against his announced principles by trying to make a loan on behalf of Morgan and Company of several millions of American gold dollars to the South Manchuria Railway. But this failed (fortunately) because of Chinese opposition and threat to repudiate. Later the State Department also advised against the loan, all of which was most embarassing to Mr. Lamont as the promoter of the Consortium, not to mention the expense he had gone to in trying to float the S. M. R. loan. Still later, in 1931, Morgan and Company did make a large loan to Japan for some development project in Formosa which many persons, somewhat later, claimed was of great assistance to the Japanese Army in its intervention in Manchuria. As a matter of fact one of the influential peace-promoting organizations in the United States published a bulletin showing how the Morgan loan as well as advances by other American banks, particularly the National City Bank of New York, had been of considerable help to the Japanese in their Manchurian intervention.

Of course, the bankers couldn't be expected to know that Japan was preparing to grab Manchura but the State Department knew considerable of Japan's plans and tried to prevent Americans and their interests from being involved. However, the intimate connection of bankers' loans and international politics has been quite thoroughly discussed in recent years, particularly in the United States, so it isn't necessary to go into that subject any further. The recently enacted U. S. Neutrality Law was an outcome of the agitation and anyone interested in the subject may obtain for the asking a complete arm-load of official reports and congressional hearings on the subject.

We mention these points because of Woodhead's reference to the old Consortium agreement as constituting a bar to China's ability to obtain a loan in England. But a careful perusal of Woodhead's article gives the impression that he was more interested in the Japanese phase of the subject than in Dr. Kung's ability to borrow money in Great Britain. We quote the following from the last paragraph of his article, "Moreover, a British loan to China today could not be freed entirely from political implications. *It would be regarded by the Japanese Government, as long as the Consortium Agreement remains undenounced, as an act of bad faith.* (our italics) . . . There are good reasons for taking the view that a loan of the dimensions suggested by Dr. Kung ought, if political complications are to be avoided, to be international in character . . . It may be remembered that when reports first appeared of an attempted Japanese rapprochement with Great Britain, the participation of both countries in a loan to China was stated to figure among Tokyo's proposals . . . ."

Woodhead's references to the Japanese in connection with the loan situation were significant because the Japanese Government is in desperate need of money in connection with its military adventures on the continent—in Manchuria and in North China. The Japanese thought, when they embarked on their imperialistic adventures on the mainland that there would be unlimited sums of international finance available not only to pay for the military phases but for economic development activities afterward. But the money has not been forthcoming. Great Britain adopted a treasury regulation against the flotation of foreign bond issues in London and the Senate's investigation of loan practices of certain New York banks, plus the business depression, also prevented the Japanese from borrowing in that market. As a result the Japanese have had to raise their own money by printing "red ink" bonds, another word for inflation, and in recent months the situation has become so desperate that the Bank of Japan has been compelled to ship a considerable portion of Japan's gold reserves to the United States in order to balance the country's international exchange accounts. Woodhead probably was correct that a British loan was the chief objective when the Japanese initiated their recent negotiations in London. Therefore, his apprehension that Britain—or some other Power—might lend China some money and leave Japan out of the picture!

Woodhead's references to China's alleged breach of faith in connection with the dismissal of certain Britons and appointment of certain American technical experts in the Salt Gabelle was ridiculous and not deserving of serious attention. The loan agreement was made a quarter of a century ago, hence should now be well on the way to final liquidation. The dropping of Britons from executive positions in the Salt Administration occurred after the National Government came into power in 1927-1928. There also was an important change in the directorate of the Customs Administration at the same time, but

instead of appointing an American in place of the British incumbent, the National Government dropped an Englishman and appointed an Irishman to the position. The reason the National Government took this action was well understood at the time both in China and abroad. The foreigners connected with these services, all of them "old China hands," had opposed the nationalist revolution and worse, with few exceptions they obtained their inspiration and instructions from the old Diplomatic Corps rather than from the authorities of the Chinese Government who paid the bills. When Woodhead talks about compeling China to observe conditions, not included in the agreement but allegedly only discussed verbally when the loan was negotiated a quarter of a century ago, he is merely placing himself in the position of the Japanese warlords who are trying to compel the Chinese to observe the terms of the old Boxer Protocol which the Manchus were forced to sign 37 years ago.

There may have been some logic to Woodhead's arguments that Britons should head these services, particularly the Customs, when Britain dominated China's foreign trade. But in recent years, in total volume of trade with China, that is exports and imports, the United States has exceeded the combined total of both Britain and Japan, the bulk of the trade listed under Hongkong, of course, being re-exports from China to U. S. A. However, we are not suggesting the replacement of Sir Frederick Maze, Inspector-General of Customs, who is an efficient and capable executive. As for the Reorganization Loan Agreement (1913) it was broken by unilateral action of the Chinese Government in 1928, following the precedent of certain European nations in unilateral denunciations of loan agreements, treaties and other pacts. But no ill results have followed China's action. No loans secured on the salt revenues are in arrears or default and the foreign loans secured on the salt have recently been increased. Prior to 1931 the maximum collection of salt revenue was $98,000,000. Since 1931 the salt revenue has steadily increased to the sum of $206,000,000 for last year. Thus, based on the records of actual accomplishment, China's action in breaking the old Reorganization Loan Agreement apparently was a blessing in disguise for the foreign creditors! We are not arguing, for or against the employment of Britons or other nationalities in advisory positions in Chinese governmental positions. Since the National Government came into power the practice has been to select technical advisers from the standpoint of fitness for the particular position rather than from the standpoint of favoring any particular nationality. It is possible that Japanese aggression in North China has caused Woodhead's thoughts to revert to the "Good old days of the Boxer era."

Movements and Appointments in Diplomatic and Official Circles

Introduced by Wunsz King, Minister to the Hague, Admiral Chen Shao-kuan, Minister of the Navy, was received audience in by Queen Wilhelmina at the Hague July 8.

T. Nakamura, the Japanese Consul-General at Canton, called at the Kwangtung Provincial Government, the Canton Municipal Government, and the Office of the Special Commissioner of Foreign Affairs for Kwangtung and Kwangsi in Canton July 29. In the course of these visits, Mr. Nakamura said that, following the outbreak of the Lukouchiao Incident, he had instructed the Japanese residents in Canton to be extremely careful in their conduct, so as to avoid all untoward incidents.

Gen. Li Lieh-chun, C.E.C. member and State Councillor, who several days ago suffered a stroke of apoplexy, has entered Hospital St. Marie in the Shanghai French Concession for medical treatment.

In holding military maneuvers at Lukouchiao, Japan had gone beyond the provisions of the Boxer Protocol, declared Hsu Mo, Vice-minister of Foreign Affairs, on his arrival in Kuling, July 9 from Nanking.

Sun Fo, President of the Executive Yuan, returned to Nanking from Kuling July 9 and later came on to Shanghai to make preparations for his trip to Canton.

General Li Tsung-jen, Pacification Commissioner for Kwangsi and concurrently Commander of the 5th Route Army, was due at Kuling this week to discuss with General Chiang measures for the readjustment of the currency system in Kwangsi as well as various military and political questions.

General Yu Han-mou, Commander-in-Chief of the Fourth Route Army, is due shortly in Kuling to discuss with General Chiang Kai-shek the appropriations for the Kwangtung divisions, which are paid in $3,000,000 a month in local currency. General Yu will (according to *Union News*) request funds for extensive military fortifications of Kwangtung, especially at Boccu Tigris and Swatow districts.

Nanking Government Issues Mandate of Commendation to Dr. H. H. Kung

On the recommendation of the Executive Yuan, the National Government has issued a Mandate of Commendation in recognition of the liberality of Dr. H. H. Kung, Minister of Finance, for the cause of education. The mandate in part reads as follows:

"Kung Hsiang-hsi (H. H. Kung) having made generous contributions for the promotion of education, his efforts are worthy of the highest commendation. This Mandate is hereby issued in recognition of his contributions."

Szechwan Officials Back to Posts—Organs for Military Education Handed Over to Nanking

With the successful conclusion of the meetings of the Szechwan-Hsikang Military Affairs Readjustment Committee, the various commanders of Szechwan and Hsikang are returning to their respective garrison posts from Chungking to enforce the readjustment measures.

The Military Officers' Research Class of the Pacification Headquarters for Szechwan and Hsikang has already wound up its affairs. The Training Corps of the Headquarters will also be abolished. These indicate the sincerity of the Szechwan military authorities in handing over the military education organs to the Central Government, as required by the Central authorities.

Enforcement of the readjustment measures agreed upon at the meeting of the Committee, held at Chungking last week, will be effected upon the return of General Liu Hsiang, Chairman of the Szechwan Provisional Government and concurrently Pacification Commissioner for Szechwan and Hsikang, in order to expedite the unification of military administration and discipline in the country.

Another "Long Hair Society" Raided in Noth Honan

Another "nest" of the "Long Hair Society," a reactionary organ backed up by the authorities of a "certain foreign concession" in Tientsin, was raided by the garrison soldiers at Anyang, north Honan, last week.

Dr. C.T. Wang's Eldest Daughter Now Hostess at Embassy

Miss Yeoh Wang, eldest daughter of Dr. C. T. Wang, Chinese Ambassador to the United States, and Mrs. Wang, has been made hostess at the Chinese Embassy at Washington. Miss Wang, who was born in Shanghai and received her education at the local McTyerie School, is no stranger to the American capital as she studied there for two years prior to her father's appointment as Ambassador.

Lukouchiao and Japan's Military-Economic Program in the North

ON July 4th, several days prior to the clash at Peiping between the Chinese and Japanese troops, the *Asahi Shimbun* leading Tokyo newspaper, announced plans for the calling of a so-called Continental Economic Conference for the purpose of consolidating the economic relations of Korea, Manchukuo and North China and the establishment of a unified economic system embracing these areas.

The chief objective, according to the article in the *Asahi*, was the creation of a Central Economic Council for the three territories and the establishment of a comprehensive Japan-Manchukuo-North China "economic plan." The conference was scheduled to be held either in Keijo (Seoul), Korea, or Dairen about the middle of August. Delegates were expected to include officers of the Kwantung Army and the Japanese military forces in North China, as well as representatives of the Manchukuo Government, the South Manchuria Railway and other Japanese organs concerned with these territories. The promoters declared a primary aim was the creation of an organic continental "bloc," which would be participated in by Manchukuo, Chosen and North China in equal proportions. Special attention would be devoted to the promotion of heavy industries, but the agenda would include:

1. Discussion would be concerned with an elimination of obstacles to trade among the three territories.
2. Coordination of production in the three districts, including establishment of a system of specialization and standardization of products.
3. The linking up of similar industries in the three territories and with Japan through advance of capital funds.

There was special significance in this report, published prior to the outbreak at Peking, (July 7) because it indicated that Japanese military plans in North China had long been formulated and only awaited developments which would provide an opportunity for carrying them out. Previous articles in *The Review* in recent weeks concerned with conditions in North China indicated the trend of Japanese activities, particularly moves on the part of the Kwantung Army to merge the economic resources of Manchuria and Korea with those of Japan. In addition there has been a definite tendency to restrict and circumscribe the so-called Manchukuo "government," giving it still more of the complexion of a colonial administration. The "opportunity" for which the Japanese military authorities apparently were waiting in North China was provided by the developments which began at about 10 o'clock on the night of July 7 in the vicinity of Peiping.

New Japanese School, Equipped to Accommodate 700 Students, Significant of Japanese Imperialistic Expansion in the Northern Chinese Provinces. The School Building, with Grounds, Occupies an Entire City Block in the Japanese Concession of Tientsin.

Therefore, there is no particular point in trying to find out which side fired the first shot or whether the Japanese troops had a legal right to conduct "night" maneuvers in that particular district. Any kind of maneuvers by an alien force in territory belonging to another country is likely to cause complications. A spokesman of the Hopei-Chahar Council called attention to the following elements concerning this phase of the situation:

1. Why were the maneuvers being held at night?
2. Why did the troops carry live ammunition?
3. An inspection of the walls of buildings in the vicinity of the clash showed that Japanese soldiers not only carried ordinary equipment, but also used light artillery.
4. The Boxer Protocol, signed thirty-seven years ago, provided only for the keeping of the route open between Peiping and the sea. Obviously it did not give foreign troops the right to conduct such military activities as the Japanese have been conducting in the Peiping, Tientsin and Shanghai districts for a considerable period.
5. Everyone remembers all too well the fact that the so-called Mukden incident began with a clash on the night of September 18, 1931, when the Japanese Army at Mukden was engaged in so-called "night maneuvers" along the tracks of the South Manchuria Railway several miles outside the Japanese Concession.

Details were still lacking when these paragraphs were written regarding the terms of the demands which the Japanese military commanders at Peiping and Tientsin allegedly had compelled certain members of the Hopei-Chahar Political Council to sign. A *Domei* dispatch from Tientsin, based on information supplied by the commander of the Japanese garrison in that city, listed the following as the terms of the Japanese demands which the Chinese allegedly had accepted:

1. Withdrawal of Chinese troops from Lukouchiao and Lungwangmia, and surrounding areas.
2. An official Chinese apology and punishment of Chinese officials responsible for the incident.
3. Sino-Japanese co-operation in the suppression of Communism and enforcement of strict control over the anti-Japanese movement.

The Shanghai *Nippo*, which supposedly reflects the views of the local Japanese military authorities, stated that the agreement reached between the Japanese military authorities and members of the Hopei-Chahar Council was to the following effect:

1. Representatives of the 29th Army expressed regret to the Japanese authorities that the unfortunate incident occurred in Lukouchiao and expressed the hope that no similar incident would occur in the future.
2. As friction is inevitable because of the stationing of Chinese and Japanese troops side by side at Fengtai, the Chinese troops will be withdrawn from the area and the territory between Lukouchiao and Lungwangmiao will henceforth be taken over for garrison purposes by the peace preservation corps.
3. The Lukouchiao incident was caused by the activities of the blue shirts, communists and other public organizations and therefore definite action will be taken to suppress these elements.

The publication of the Japanese demands with allegations that they had been accepted by the Hopei-Chahar Political Council has aroused deep resentment throughout the country. The National Government at Nanking has officially warned Japan against conducting "regional" negotiations in the North and has announced that no agreement negotiated in settlement of the Lukouchiao incident will be recognized that has not received the sanction of the Central Government. Various explanations have been offered as to what actually happened at the conference in Peiping on July 11 which was participated in by Major-General Gun Hashimoto, Chief-of-Staff of the Japanese Garrison in North China, Col. Takuro Matsui, Chief of the Japanese Special Service Mission at Peiping and certain members of the Hopei-Chahar Council. In some quarters it was claimed that certain members of the Council who were opposed to the extension of Nanking influence into the North had signed the agreement but officers of Gen. Sung Cheh-yuan's Twenty-Ninth Army refused to be bound by the agreement. A report through the official Central News Agency from Peiping on July 12 said that the agreement only concerned mutual withdrawal of troops in the Lukouchiao district.

It is obvious that the third point, providing for China's cooperation with the Japanese Army

IS CHINA STILL "HOPEFUL" OF A CHANGE?

The above cartoon by Parrish in *The Chicago Tribune* was published on June 5 when dispatches from Tokyo alleged that the Japanese warlords were prepared to relinquish control of the Japanese Government. This inspired Cartoonist Parrish to suggest that the Japanese military, in time, might also give up control of China, a suggestion which has not been borne out in either ease!

in the suppression of Communist movements and anti-Japanese activities, constituted the crux of the agreement. This point, long desired by the Japanese Army, has always constituted the most important of Koki Hirota's "Three Point Program," recently reiterated as a fundamental phase of Japanese policy toward China. If carried out, it would put Japan in complete control of the military situation in North China and would lead not only to the creation of another puppet state in the North, but would effectively block any attempt on China's part to defend her position in Suiyuan or Chahar Provinces. It would facilitate Japan's advance to the Yellow River on the South and into Shansi on the West and at the same time provide a base for Japan's contemplated military movement into Inner Mongolia, against the Chinese Red troops in northern Shensi, and ultimately against the Outer-Mongolian Republic and the U.S.S.R.

In other words, developments of the past week, if allowed to stand, would mean the doom of North China as Chinese controlled territory. It would make it possible for Japan to put into effect her long discussed program for "economic cooperation" and the creation of a "special position' in North China, referred to in the opening paragraphs of this discussions.

A writer in the *China Critic* said that the quietness which had prevailed in the North did not conceal the fact that both Chinese and Japanese were trying to improve their respective positions. The Chinese authorities were demanding the abolition of the East Hopei regime, and it was claimed that Nanking was preparing to assert its political control in the North. The situation in both Peiping and Tientsin had become tense. There had been a so-called people's armed uprising in Chahar, and there were reports that trouble had developed between General Li Shou-hsin, commander of the Manchukuoan Irregulars, and Prince Teh Wang, leader of the renegade Mongols in northern Chahar.

From the standpoint of Japanese economic projects, Director Sogo of the Shin Chung Company, a subsidiary of the South Manchuria Railway, had travelled extensively over the northern provinces and had interviewed General Yen Hsi-shan. It appeared that a conflict had developed within the Japanese family as to which group was to control economic projects in North China and in the East Hopei area. The Kwangtung Army wanted to control everything, but had not succeeded in putting over its program. It had sent a representative to Tokyo with a recommendation that Japanese Boxer Indemnity funds, supposedly used for cultural activities should be turned over to the Army for economic development projects. The Foreign Office, which was administering the so-called cultural fund, naturally refused to surrender it to the Army. A further Japanese element in the situation was the Oriental Development Corporation, a semi-official organ, which had participated in the promotion of Japanese imperial projects in Korea and Manchuria for many years. The Oriental Development Corporate supposedly had the backing of the North China garrison.

These developments within the Japanese camp, well known in Chinese circles in the North, caused the Chinese to read significance into the reports from Tientsin telling of the sudden illness of Lieut.-General Kanichiro Tashiro, Commander-in-Chief of the Japanese garrison at Tientsin and his replacement by Lieut.-General Kiyoshi Katsuki of the Tokyo Army General Staff.

It appeared, however, that the Shin Chung Company with the backing of the South Manchuria Railway and the Kwantung Army would win out. It was interested in three important projects:

1. Construction of a railway connection Tientsin with the town of Shihchiachwang, located south of Peiping on the Peiping-Hankow Railway. The railway would provide direct access to the resources of Shansi Province and would obviate the necessity of transporting Central China products, including coal and cotton, to tide-water by way of Peiping.
2. Exploitation of the important Lungyen Iron Mines near Peiping. In Japan's search for iron, it was obvious that these mines would not be overlooked.
3. Development of a modern harbor and naval base at Tangku.

The Shin Chung Corporation formed two years ago with a capital of $10,000,000, already controls the most important Chinese salt fields in the vicinity of Tientsin and along the coast between Tientsin and Shanhaikuan. The company also has obtained important concessions from the puppet Chinese renegade, Yin Ju-keng. It is also interested in various industrial projects in the North, including cotton mills, rayon enterprises and an important project greatly desired by the Japanese Army and Navy authorities—the liquifaction of coal to provide an independent source of fuel supplies for the Japanese military establishment.

In the light of what has happened in the North in recent days it is now quite obvious that the Japanese military authorities are determined to take by force what they had hitherto been unable to obtain by threat, intimidation or bribery. In other words, with an army of three divisions in the field they are now in a position to take what they want irrespective of China's wishes.

In the more distant background, serving as important contributory or motivating elements which impelled the Japanese military authorities to move at this time may be listed the critical relations of Japan and the Soviet Union, Japan's desire to consolidate her position in North China as a strong talking point in the forthcoming Anglo-Japanese negotiations in London and a desire to block the efforts of the National Government in trying to obtain foreign financial and diplomatic assistance in the United States and Europe.

Nanking Alleges Japanese Used Truce in North to Gain Time for Reinforcements

THE clash which broke between Japanese and Chinese troops at 10 o'clock in the evening of July 7 near Fengtai was succeeded by a number of further clashes, punctuated with so-called truces and settlements, all of a character which give point to the allegation made by a spokesman of the Chinese Foreign Office in Nanking July 11 that there is a deliberate Japanese plan behind the encounters and that their motive in entering into truces is not sincere, but on the contrary that the armistices were entered into only as a means of gaining time for reinforcements.

Clash Starts July 7 Near Marco Polo Bridge

The trouble began on the evening of July 7 when a company of Japanese troops engaged in a sham battle near Marco-Polo Bridge (Lukouchiao), situated about twenty miles west of Peiping, at the junction of the Peiping-Hankow and the Peiping-Mukden railways, came into collision with Chinese troops belonging to the 29th Army, which is under the command of General Sung Cheh-yuan, who was in Loling in Shantung at the time, but has since returned.

The Japanese troops, it was stated in Japanese quarters, heard revolver shots which, they allege, were fired by Chinese soldiers stationed at Lungwangmiao (Dragon King's Temple).

The Japanese military authorities in Peiping demanded that Japanese troops should be allowed to enter the small walled city of Wangping and search for the supposed culprits but the request was rejected. Japanese reinforcements were immediately rushed from Fengtai, an important railway junction southwest of Peiping, and began to close in on Wangping.

A delegation of three Chinese and two Japanese military and civil officials motored to Wangping from Peiping early in the morning to investigate the situation, but in the midst of their deliberations, fighting began in the vicinity of Lukouchiao. It ceased at 9.30 a.m. after the Chinese had suffered heavy losses while retreating across the Yungting River. The Japanese deny bombarding Wangping, but the Chinese assert that shells fell within the city, causing loss of life and damage to property.

After the firing ceased, Japanese planes dropped leaflets giving an ultimatum to the Chinese to withdraw, but, instead, the Chinese prepared to defend a line on the Peiping-Hankow Railway. Firing restarted at 11 o'clock, but lasted only a few minutes.

Major Imai, the Japanese Military Attache in Peiping issued a statement saying that the Chinese troops, besides firing on the Japanese forces in the evening, were the first to fire the next morning, compelling the Japanese to retaliate.

The Japanese troops, an official Chinese statement averred, fired while negotiations for a settlement of the earlier incident were in progress. The Chinese, the statement declared, held their fire until the last possible moment.

Unofficial Chinese reports suggested that the shots were fired by agents provocateurs.

The Chinese troops involved in the fighting belonged to the 37th Division of the 29th Army. The division is commanded by General Feng Chih-an, Governor of Hopei, who had left Peiping for Paotingfu before the fighting started.

Japanese Communique Said Chinese Are Being Disarmed

A communique issued by the headquarters of the Japanese command in North China, at Tientsin July 8 stated that the Chinese troops at Lukouchiao are being disarmed. The Japanese communique went on to say that the Japanese authorities "are determined thoroughly to probe the reasons for the irresponsible actions of the Chinese troops, and will call the Chinese authorities to account for their provocative acts."

Chinese and Japanese officials hastened to the scene and tried to pacify the two parties, but fighting later broke out in earnest.

Both sides rushed reinforcements to the scene of the encounter, the region around the Marco Polo Bridge, and, as the battle progressed, the rattle of rifle and machine-gun fire, mingled with the boom of artillery, could be heard from the walls of Peiping.

The Japanese reinforcements consisted of several hundred troops belonging to the Japanese Embassy Guard, who were hurried to the scene in lorries.

The engagement came to an end at 9.30 a.m. The Japanese gave an ultimatum for the withdrawal of the Chinese troops, but this was not heeded and, at 11 a.m. fighting was resumed, but ceased shortly afterwards.

Martial Law in Peiping

Testifying to the seriousness of the situation, the Chinese authorities placed Peiping under temporary martial law at sunset July 8. All the city gates were shut at 2 o'clock p.m., while strong details of police were posted at all important street intersections.

Detachments of the 29th Army, stationed in Nanyuan, July 8 occupied the Nanyuan airdrome, forcing a suspension of the Peiping-Tokyo air service, maintained by the Sino-Japanese Huitung Aviation Company.

Following day-long conferences with other Chinese military and civil officials, Gen. Chin Teh-chun, Mayor of Peiping, told the press that while he hoped for a localization of the incident, "Chinese troops will be obliged to resist the Japanese forces, if the latter continue their hostile operations."

Officials conferring with General Chin included Gen. Feng Shih-an, Commander of the Thirty-Seventh Division; Gen. Chang Tzu-chung, Mayor of Tientsin and Commander of the 38th Division, and members of the Hopei-Chahar Political Council.

General Sung Telegraphs Not to Aggravate the Situation

In response to an urgent request for instructions from the Council which he heads, Gen. Sung Cheh-yuan telegraphed orders from Loling, Shantung, where he was "sweeping the ancestral graves," not to aggravate the situation.

The units of the 29th Army, 120,000 strong, strewn along the Peiping-Liaoning Railway and in the vicinity of Peiping, were reported in the evening as maintaining a calm attitude.

Japanese Reinforcements Refused Entrance to Peiping

Japanese reinforcements, being rushed on trucks from Tungchow to the Embassy in Peiping, were prevented from entering the city by the closure of the Chang Ying Gate by the Hopei-Chahar authorities. All efforts to secure prompt opening of the gates remained fruitless, as the Chinese officer on duty said he would comply with Japanese wishes only on the receipt of an order from Gen. Chin Teh-chun, Mayor of Peiping.

Japanese military authorities alleged July 8 that Japanese military telephone lines between Peiping and Fengtai and Tientsin were cut at midnight by Chinese. This was interpreted by them as evidence of Chinese premeditation of the entire incident.

Japanese Fight Under Difficulties

The Japanese moving against Chinese forces, entrenched in the barracks near Lukouchiao, fought under difficulties, *Domei* said. Exposed to a blazing sun beating mercilessly on the shadeless Hopei plain, the Japanese units remained in full view of their opponents. Supplies of water, food and ammunition were allegedly raked with machine-gun and rifle fire by the Chinese who were at an advantage as clumps of trees afforded cover along the left bank of the Yung Ting River. Machine-guns, trench mortars and light artillery were used in the fight. Strengthened by the arrival of one battalion of infantry from Fengtai, the Japanese forces made an assault dislodging the Chinese from their positions.

Fighting Breaks Out Again After 24 Hours of Tranquility

There ensued approximately 24 hours of tranquillity, when on July 10 serious fighting again broke out between Chinese and Japanese troops. The Japanese were reported to be furiously attacking Wangping, the walled city near Lukouchiao. The attacking force, according to Chinese dispatches, includes 600 men from Fengtai supported by four tanks and 27 field-pieces, and a detachment from Tungchow, capital of the so-called autonomous State of East Hopei. The resumption of fighting followed an earlier engagement lasting half-an-hour.

Temporary Withdrawal Following So-Called Truce

In accordance with the terms of a so-called truce, Chinese and Japanese forces involved in the fighting of the previous 24 hours were withdrawn on the afternoon of July 9 to designated points. While the negotiations were proceeding a clash took place at dawn near Wangping, a small walled city situated not far from Lukouchiao. The Chinese alleged that the Japanese fired to cover their withdrawal from the vicinity of the walled city, while the Japanese asserted that the Chinese provoked the clash by opening fire in violation of the peace agreement. The second clash took place in the afternoon and was apparently precipitated by mutual misunderstandings. Although some Japanese troops returned to Fengtai, others remained in occupation of points near Wangping, including the railway station, in order to supervise the movements of the Chinese, whereupon the latter decided to hold their ground until the intentions of the Japanese were clarified. However, after a brief engagement, during which a desultory exchange of machine-gun and rifle fire occurred, the Chinese troops completed the evacuation of Wangping, Lukouchiao and other points stipulated in the agreement and were replaced by members of the Peace Preservation Corps from North Hopei.

The majority of the Japanese troops were also withdrawn, although they retained possession of the railway station north of Wangping.

The Terms of the First Agreement

A two-hour conference in Peiping between Colonel Takuro Matsui, chief of the Japanese Army special service section, and

Chang Yun-jung, representative of the Hopei and Chahar Political Council, resulted in the conclusion of an agreement for the suspension of hostilities. Among other things the agreement stipulated:

1.—Immediate suspension of hostilities.
2.—Withdrawal of Japanese troops to the left bank of the Yungting River.
3.—Withdrawal of Chinese troops to the right bank of the same river.

Both sides, according to a *Reuter* message from Peiping July 9, expressed a wish to localize the incident and tried to work out a compromise, suggestions for which were referred to General Tashiro, General Officer Commanding the Japanese forces in North China. Nightfall found the Chinese and Japanese troops clinging to the positions. Martial law was rigorously enforced in the Old Capital and, after sunset, the streets in Peiping were cleared of civilians except those able to prove they were on lawful business.

Chinese Authorities Close Railway Line to Tungchow

In addition to suspension of traffic on the Peiping-Hankow Railway, the Chinese authorities closed the line to Tungchow, capital of the so-called autonomous State of East Hopei. Three thousand troops are estimated to have been mobilized along the ten-mile section of the Peiping-Hankow Railway between Wangping and Chanhsintien.

Reuter's correspondent found the gates of Wangping heavily barred and reinforced with sandbags. Trench mortars and machine-guns were mounted on the walls.

The Marco Polo Bridge (Lukouchiao) was heavily guarded, and coolies were busy filling sandbags and digging trenches. Occasionally a soldier crouching on a parapet on the bridge took a pot-shot vaguely in the direction of the Japanese positions.

Chinese hut-dwellers went about their business unconcernedly, women washing clothes and children playing within a few yards of machine-guns and hand-grenades.

As a precautionary measure, the Japanese Embassy in Peiping has been barricaded.

Japanese casualties were placed by the headquarters of the Japanese Garrison in North China at ten dead and 22 wounded up to 4 p.m. July 9.

Streets in Strategic Parts of Peiping Closed to Civilians

All the gates leading into Peiping, which had been opened in the afternoon, were closed again, while sandbags and other barricades were hastily erected in strategic parts of the streets of Peiping, all of which had been completely cleared of civilians. All traffic was stopped at 8 o'clock at night, with the exception of lorry-loads of Chinese troops moving towards the gates.

The renewal of hostilities broke up a Sino-Japanese peace conference which was being held in the house of Gen. Chang Yun-yung, commander of the Hopei Peace Preservation Corps.

Railway communication between Peiping and Tientsin was suspended, and an announcement that the Blue Express would not leave for Shanghai was made.

Meanwhile, to add to the tension in North China, six trainloads of Japanese troops belonging to the Kwantung Army arrived at Shanhaikuan, where the Great Wall runs to the sea. Heavy concentrations of Japanese troops along other points on the Great Wall were also reported to have taken place. The Kwantung Army garrisons at nine passes were being strongly reinforced.

Wangping Walls Scarred by Shell Fire

A visit to Wangping by foreign officials revealed the walls of the city to be plentifully shell-scarred, notably near the East Gate, which bore the brunt of the Japanese cannonade in the fighting on Thursday and Friday, when about 50 shells fell inside the city, partly wrecking the offices of the local administration, from which the occupants had fled only fifteen minutes earlier. A police-station and a neighboring wine-shop were also struck. Fragments of shells indicated that the Japanese used guns of a calibre ranging from 37 millimetres to three inches. The casualties suffered by the 29th Army troops on Thursday and Friday are given at about 20 killed, 20 seriously wounded, and 50 slightly hurt.

Four divisions of China's First Army began moving north along the Peiping-Hankow Railway on orders of the Nanking Government. The army, regarded as the finest in this country, is also known as "Chiang Kai-shek's own," a *Domei* message from Hankow July 10 stated.

Korean Army and Japanese Squadron Stand By

A *Domei* message from Seoul July 9 stated that the Korean Army has been ordered to stand-by, in preparation for any emergency.

The Japanese squadron in Chinese waters was ordered to stand by, while the army authorities in Tokyo, as a measure of precaution, ordered the postponement of the discharge of all time-expiring soldiers in divisions in western Japan.

Japanese Squadron Proceeds from Formosa to South China

The 13th and 16th Japanese squadrons July 13 were ordered to proceed from Formosa to South China ports to guard against anti-Japanese agitation.

Gen. Sung Cheh-yuan Returns to Tientsin

Without advance information of his departure from Loling, his native town on the Shantung-Hopei border, Gen. Sung Cheh-yuan, Chairman of the Hopei-Chahar Political Council, suddenly returned to Tientsin in the evening of July 12. Gen. Sung arrived in a special train to handle personally the tense situation in North China.

Domei in reporting the return of Gen. Sung made a sarcastic reference to his stay of several weeks at Loling, to "sweep the graves of his ancestors."

General Sung Cheh-yuan summoned all the senior officers of the Army at present in Tientsin to a conference at the British Concession in the morning. Ma Yen-tsung, acting mayor of Tientsin, made a report on the latest developments.

Alleged Terms of Settlement

A settlement of the Lukouchiao incident was reached between Chinese and Japanese authorities in North China, Gen. Chin Teh-chun, Mayor of Peiping, reported in a wire sent to Shanghai in the night of July 11, according to *Central News*. The wire, which was addressed to Li Kwang-an, representative of the Hopei-Chahar Political Council resident in Shanghai, stated that the settlement was reached at a meeting of Chinese and Japanese officials in Peiping which concluded at 8.00 p.m. It was agreed that both the Chinese and Japanese troops were to be withdrawn from the scene of conflict to their original garrison posts. While the Japanese troops were to be withdrawn to Fengtai, the wire added, Lukouchiao was still be to garrisoned by Chinese troops.

According to *Domei*, the document, handed over to Col. Takuro Matsui, chief of the Special Service Section specified Chinese acceptance of the following Japanese demands:

1. Official Chinese apology and punishment of Chinese officials responsible for the incident;
2.—Withdrawal of Chinese troops from Lukouchiao and Lungwangmiao.
3.—Suppression, in cooperation with the Chinese, of the anti-Japanese movement, Communist organizations, the "Blue Shirts" and similar bodies.

Domei said the Japanese forces at the front began their evacuation at 11.30 p.m. July 12. The evacuation, *Domei* said, was carried out without a hitch, despite intermittent firing from the Chinese positions at Papaoshan, between 10 o'clock that night and 2 o'clock next morning.

The Japanese military authorities in Peiping said they would keep a strict watch over the Chinese observance of the terms of the accord.

High officers at the headquarters of the Japanese Garrison in Tientsin were reported as taking a very grave view of the alleged Chinese attack upon the evacuating Japanese troops off Papaoshan following the signing of the agreement by the Chinese authorities.

The verbal agreement of the settlement of the incident was reached at 1 p.m., shortly after Major-Gen. Hashimoto threatened to leave the conference room if the Japanese terms were rejected.

At the outset of the deliberations, according to *Domei*, the Chinese delegated submitted to the Japanese representatives a set of three counter-demands, which provided for the following:

1. Assumption of responsibility for the Lukouchiao incident by Japan;
2. Expression of Japan's regrets for the incident;
3. Payment of reparations by Japan for damages incurred by Chinese and submission of a guarantee against the recurrence of similar incidents.

These demands were flatly rejected by the Japanese delegation.

Japanese Insist Chinese Signed Agreement, But Refuse to Reveal Names of Signatories

A *Reuter* message from Peiping July 13 stated that Japanese sources insist that the Chinese signed a written agreement at Peiping on the evening of July 11 providing for apologies by representatives of the 29th Army, punishment of the responsible parties, withdrawal of Chinese troops from the Wanping area, and suppression of anti-Japanese activities in Hopei and Chahar. They declined, however, to reveal the names of the signatories.

The agreement, the Japanese asserted, did not mention the withdrawal of Japanese troops, but they would probably withdraw to Fengtai as soon as they are satisfied that the Chinese have complied with the terms.

Reports to the effect that the Chinese authorities had accepted Japanese demands for the settlement of the Lukouchiao incident were emphatically denied by Gen. Sung Cheh-yuan, Chairman of the Hopei-Chahar Political Council, in an interview with leaders of various local organizations July 13. Gen. Sung declared that although he is desirous of an amicable settlement of the incident, he will not accept any demands presented by the Japanese.

Japanese Claim 29th Army Agreed to Ensure Non-Recurrence of Incidents

A communique, issued on the morning of July 12 by the headquarters of the Japanese Garrison in North China, claimed that the Chinese Twenty-Ninth Army had also agreed to ensure the non-recurrence of anti-Japanese incidents in the future. The withdrawal of the Chinese troops from Lukouchiao and Lungwangmiao, the communique said, was demanded because their continued presence close to the Japanese Garrison in Fengtai was likely to form a constant source of friction. Peace in these two localities would in the future be maintained by units of the Peace Preservation Corps.

The demand for the suppression of the "Blue Shirts," Communists and other anti-Japanese groups, the communique declared was motivated by the belief that they were responsible for the Lukouchiao incident.

Disagreement over the interpretation of the new agreement concluded a few hours previously, under which both sides had pledged themselves against aggression in the Wanping area pending the outcome of further negotiations, resulted in an artillery and machine-gun duel in North China on the night of July 13, a *Reuter* message stated. The engagement occurred in the vicinity of Tsaishenmiao village, two miles west of Peiping, according to Chinese reports, which claim that the Japanese retired after the duel had lasted an hour. An hour before the resumption of hostilities, the Chinese military authorities who visited Wanping to observe the effects of the truce returned to Peiping after a sharp disagreement with Japanese officers over its interpretation. They declared that the truce was ineffective as the Japanese troops had not withdrawn for the requisite distance.

Martial law, which had previously been relaxed, was then immediately retightened.

Chinese Authorities Will Not Accept Unreasonable Demands

While the Chinese authorities wish to localize the North China incident, they will not accept unreasonable demands, a semi-official dispatch from Kuling stated. The Government leaders, the message added, fully endorse the attitude of the Hopei and Chahar Political Council.

Fierce Fighting Six Miles West of Peiping

The severest fighting since Chinese and Japanese troops first clashed at Lukouchiao July 8 was in progress near the International Golf Course at Paopashan, about six miles west of Peiping, in the early hours of July 12. The rattle of machine-guns and the boom of artillery were clearly audible to anxious listeners in Peiping throughout the night. With all city noises stilled owing to martial law, even the roar of tanks rumbling to the scene was plainly heard, according to *Reuter*.

A *Domei* correspondent who spent a night at the front returned to Peiping July 12. He said a tense atmosphere prevailed at the front lines because of the intermittent firing by Chinese troops and their failure to carry out the terms of the agreement.

The correspondent said that he could clearly see, through his binoculars, Chinese soldiers strengthening their positions on sandbanks and in kaoliang fields along a long front, about one kilometre east of Lungwangmiao. The Japanese units at the front, he added, were "visibly angry" with this "violation" of the terms of the agreement by the Chinese troops.

About 100 troops of the Japanese Embassy Guard in Peiping who were rushed to the scene of the clash July 8, returned to Peiping three days later. In the meantime, arrangements have been completed for the withdrawal of the entire Japanese population to the precincts of the Embassy at a moment's notice.

A joint telegram reporting that the Japanese military had broken their promise to withdraw from Lukouchiao and had renewed their attacks on Lukouchiao and Wanping July 10 was received July 11 by the Central authorities at Nanking from Lieut.-General Chin Te-shun, Mayor of Peiping, Lieut.-General Feng Chih-an, Chairman of the Hopei Provincial Government and concurrently Commander of the 37th Division, and Lieut.-General Chang Tzu-chung, Mayor of Tientsin and Commander of the 38th division.

Telegraphic instructions were sent by the Central authorities from Nanking and Kuling to the 29th Army to cope with the grave situation arising from the repeated provocations of the Japanese.

Shanghai Public "Comforts" 29th Route Army

A meeting was held July 14 in the District Chamber of Commerce by Chinese public bodies in Shanghai for the purpose of "comforting" the 29th Route Army which is engaging the Japanese troops in the North in a serious armed conflict.

Another Engagement, Forenoon of July 13

Another engagement occurred at 11 a.m. July 13, when approximately 500 Japanese troops, accompanied by four tanks and a number of armored cars, appeared on the railway line between Peiping and Fengtai and came into collision with Chinese troops coming from the Nanyuan airdrome, eight miles south of Peiping. The battle drew rapidly nearer Peiping until it reached the railway bridge just outside of the Yung Ting Men. At this point, Chinese troops rushed from all quarters of the City to reinforce the guards near the battle zone.

During the engagement, which ended at 12.45 p.m., traffic in the southern section of the City was stopped and the populace were confined to their homes.

Eye-witnesses who watched the engagement from the City walls declared that fierce hand-to-hand fighting occurred, the Chinese charging the enemy with their traditional big swords.

The Japanese, who were identified as those who had come from Kupeikow the previous night and unsuccessfully demanded admission into Peiping, were reported to have been compelled eventually to retire because of the numerical superiority of the Chinese. They moved off in the direction of Fengtai after abandoning two lorries whose cargoes of petrol and ammunition had exploded. During the battle two shells burst over the city wall.

Five Japanese troop-trains left Shanhaikuan early in the morning of July 12 for Tientsin. The first of these trains, carrying 700 troops from the Kwantung Army, arrived at Tientsin at noon.

It was a mixed battalion and included a machine-gun company. It was stationed temporarily at the Japanese barracks in the Japanese Concession. Meanwhile the number of Japanese military 'planes had been increased to 16, including bombers. General Katsuki was reported to have gone to Fengtai at midday and conferred with Japanese officers there, accompanied by his Chief-of-staff, Major-General Hashimoto.

Japanese Bring Heavy Reinforcement from Manchuria

Foreign military sources in Peiping July 13 estimated that 3,000 Japanese reinforcements had arrived by train in Tientsin from Manchuria up to that date and that 10,000 others had reached various points between the frontier at Shanhaikwan, where the Great Wall runs to the sea, and Tientsin. The strength of the normal Japanese forces in North China is estimated at 7,000. According to Chinese reports, about 3,000 of these are concentrated at Fengtai, less than 10 miles south of Peiping.

At least 100 Japanese airplanes, foreign observers added, were seen maneuvering in the air at Shanhaikwan July 12.

Employees of the South Manchuria Railway were posted at offices at various points on the railway between Shanhaikwan and Tientsin to supervise the flow of Japanese military traffic, which poured into Tientsin from Manchukuo in a continual stream. All night long Japanese military trains rumbled into the Tientsin East Station

Japanese Operate Peiping-Liaoning Railway

Invoking, as they claimed, the provisions of the Boxer Protocol, which stipulated the maintenance of uninterrupted service between Peiping and the sea, Japanese crews July 12 manned the trains on the Peiping-Liaoning Railway. The step, the Japanese authorities claimed, was taken in view of the "continued refusal" of the Directorate-General of the Peiping-Liaoning Railway to resume service following the outbreak of the Lukouchiao Incident. The suspension of the service, the Japanese authorities said, served to stimulate popular unrest.

The crews were "borrowed" from the Japanese semi-official South Manchuria Railway, which manages all the railway lines in Manchuria. Emphasizing their intention to violate no Chinese rights, Japanese military authorities said the manning of the trains by Japanese engineers was necessary to ensure a "safe and smooth" operation of the railway. The military authorities said the measure was a temporary one, and expressed their hope for an early resumption of activities by the Directorate-General of the railway.

"Extreme Measures" Threatened

"We are prepared to resort to the most extreme measures if further provocation is given," said the spokesman of the Kwantung Army in an announcement issued in Changchun July 13. The preparations, he declared, had been taken to assist the Japanese garrison in North China, with a view to a complete liquidation of the incident.

Japan Wants "Show-Down" in North China, Says Gaimusho Spokesman

Japan wants a "show-down" in North China, a spokesman of the Foreign Office told foreign newspapermen in Tokyo July 12. The Lukouchiao incident, he declared, was a local affair, and Japan would strongly resist the Nanking Government's efforts to take part in the Peiping negotiations. Japan's main aim in the negotiations, he declared, was a return to the *status quo ante* in North China. He, however, refused to amplify his statement.

The arrival of Japanese reinforcements in North China, he asserted, would in no way influence Japan's policy in the region. It was impossible, the spokesman said, to halt the movement of Japanese troops, because the Government had already announced its "immutable policy" previously.

The present situation in North China was described by the official as "very grave," because some detachments of the Central Army were reported to be advancing northward, along the Peiping-Hankow Railway. The Japanese troops, he said, have been withdrawn to Fengtai, while the troops of the Twenty-Ninth Army had fallen back on the west bank of the Yungting River.

Chinese Await Tokyo's Threatened "Showdown"

The Chinese are waiting to see what form the threatened Japanese "showdown" will take, a *Reuter* message from Tokyo July 13 stated. With troops pouring steadily into North China, the outlook was considered very gloomy. These heavy troop movements, the Chinese feel, can have only one meaning. The only hope of preventing a major conflict in the opinion of observers in Tokyo, is for the Powers friendly with both China and Japan, such as Great Britain, the United States and France, to intervene for an amicable settlement. The Japanese, the Chinese believe, are only awaiting until the concentration of their troops in North China is completed before launching a general offensive. This, they expect may even be started before the end of the week.

Nanking Promulgates Requisitioning Law

The Nanking Government July 12 promulgated a law providing for the requisitioning of military supplies. The act, com-

prising 17 articles, stipulates that man power, foodstuffs and military supplies may be requistioned by the military authorities in war time.

Chinese Hold Large-Scale Air Defence Maneuvers at Chengchow

Large-scale air defence maneuvers designed test the immunity of the Peiping-Hankow and the Lunghai Railways to raids are being staged in Chengchow, according to authoritative reports received in Shanghai July 11. Simultaneously, semi-permanent air-defence fortifications are being hastily erected in the immediate vicinity of the Chengchow railway station. The Tenth division of the Central Army, the reports added, left Chengchow on July 10 for the North. Two other divisions still remain in the city.

Japanese Garrison Holds Maneuvers at Tientsin

The Japanese Garrison in Tientsin announced July 13 that it would hold three-day maneuvers in the southern suburbs beginning from July 14. The announcement aroused no little concern in Chinese circles in Tientsin, same being interpreted as the Japanese Army's intention to aggravate the North China situation.

Gen. Han Fu-chu Ordered to Defend Shantung

Orders to defend Shantung against foreign aggression "at all costs" were received July 12 by Gen. Han Fu-chu, provincial chairman, from the Central Government, according to Japanese military intelligence reports.

Orders have already been issued for the construction of pill-boxes on the approaches to Tsinan, along the Tientsin-Pukow and the Kiaotsi Railway lines. The latter links Tsinan with Tsingtao.

Communication Facilities with North China Greatly Disturbed

Air, rail and telegraphic communications between Shanghai and North China were greatly disturbed as the result of the Sino-Japanese incidents. During the early part of the week, the flood of press, official and private messages so clogged the telegraph facilities that urgent telegrams took from eight or nine hours to get through. The C. N. A. C.'s regular plane to Peiping ended its journey at Tientsin. The railway companies refused to issue through tickets to Peiping, selling only as far as Tientsin.

Kwangsi Supports Nanking

The Kwangsi and Kwangtung military authorities are watching the North China situation very closely, and, it is stated, are "prepared for any eventualities."

Nanking Denies Report of Peiping Evacuation

A *Waichiaopu* spokesman at Nanking July 14 denied a Japanese report that foreign representatives in Nanking had been urged by the Nanking Government to instruct their nationals to evacuate Peiping, "because the Chinese Government would be unable to accord them protection."

Chinese Students at University of Missouri Send Patriotic Message

Chinese students attending the Unitversity of Missouri at Columbia, Mo., July 12 cabled to Gen. Chiang Kai-shek the following message regarding the Sino-Japanese clash in North China: "Sane Chinese would rather die Chinese soil with Japanese as well as their own blood than hold their breaths under the iron heel of Japanese Imperialism."

Sensation Created in Tokyo by Reports that Gen. Chiang Had Ordered Air Force Ready for Mobilization

A *Reuter* message from Tokyo July 11, stated that a sensation had been created in the Japanese capital by official reports to the War Office stating that General Chiang Kai-shek, President of the Executive Yuan and Commander-in-Chief of the Chinese forces, had ordered the Chinese air force to be ready for mobilization. High Japanese officials remained in conference throughout the night discussing measures to cope with the tension between China and Japan caused by the events of the past few days.

The Prime Minister, Prince Konoye, the Minister of War, General Sugiyama, the Minister of the Navy, Admiral Yonai, and the Minister of Finance, Okinori Kaya, held a three-hour meeting at which they reached "fundamental decisions." The Cabinet met at two o'clock in the afternoon to consider these decisions and, after a brief session, adjourned. Prince Konoye then left for Hayama, where the Emperor is in residence, to seek Imperial sanction for the Government's North China policy.

Successor to General Tashiro Arrives at Tientsin

Lieut.-Gen. Kiyoshi Katsuki, the newly appointed Commander-in-Chief of the Japanese forces in North China, arrived in Tientsin from Seoul by air at 11:20 a. m. July 12. He succeeds Lieut.-Gen. Kanichiro Tashiro, who is ill with appendicitis. The latter officer has been appointed to the staff of the Central Arsenal in Tokyo. Rumors were current that Gen. Tashiro had died, but no announcement of the death was made for fear of affecting the morale of the Japanese forces.

Charge Hidaka "Warns" Against Steps to Aggravate Situation

For the second time in 12 hours, Shintokuro Hidaka, Japanese charge d'affaires in Nanking, on the night of July 12 warned the Nanking Government to take no steps that would aggravate the situation in North China. Mr. Hidaka's second outspoken demarche was made in response to the Nanking Government's Notification on that date that it would not recognize the validity of any accord reached between the Japanese military and Chinese local authorities in North China.

Such interference by the Central authorities with a regional agreement concluded to meet specific local conditions, Mr. Hidaka told Tung Tao-ming, sectional chief in the Asiatic Affairs Department of the Waichiaopu, "would only serve to complicate matters," according to a *Domei* message.

Similar "advice" against Nanking opposition to a Sino-Japanese agreement in the north was given by Mr. Hidaka in an interview with Dr. Wang Chung-hui, Foreign Minister, the same morning.

Tokyo Government, Fearful of Internal Outbreak, Propagandizes for Support

Faced by one of the gravest crises in Japan's recent history, the Tokyo Government July 12 decided to mobilize public opinion to the support of any course it may be obliged to follow, a *Domei* message from Tokyo said. Through the medium of the radio, the press and the rostrum, high Government officials addressed the nation on the nature of the present Sino-Japanese controversy, the current situation in China and Japan's position in the Far East. Akira Kazami, Secretary General of the Cabinet, is in charge of the campaign.

The complex machinery of the Japanese Government was in high gear prepared to meet any emergency, *Domei* added. The Miyakezaka area, where are located the Ministries of War, Navy and Foreign Affairs, and the Army General Staff, hummed with feverish activity. The tension radiated to all other branches of the Government.

General Gen Sugiyama, Minister of War, hastened to the Ministry of War where he called a conference of bureau chiefs. Most of the latter slept in camp beds in their offices. The discussions lasted until noon.

With instructions to various prefectural police bureaus the Home Ministry took precautions against possibilities of a threat to internal peace.

The Ministry of Education prepared to admonish students to range themselves firmly behind the Government.

Entrusted with the task of transporting troops the Ministry of Railways drew up plans for an eventual nation-wide mobilization.

Preparations to enlist convicts in the manufacture of munitions were being made by the Ministry of Justice, while the Ministry of Agriculture and Forestry strengthened its control over staple products.

Chinese Embassy in London Criticises Japanese Action

The situation in North China was characterised as "extremely grave" in a statement issued by the Chinese Embassy, in London, July 12. Describing the Japanese action as "a premeditated attempt to reduce North China to a second Manchuria," the statement asserted that while China was anxious and prepared to minimise the incident, she was determined, if necessary, to resist, at all costs, further encroachment upon her territory.

"Nippo" Says Japan May Be Forced to Deal "Decisive Blow"

With the Chinese press clamoring for war on Japan, the latter may yet find that short-cut to the establishment of peace in the Far East would be to strike a "decisive blow," the *Shanghai Nippo* said editorially July 12. "The anti-Japanese sentiment now prevailing among the Chinese people is so deep-rooted, that only decisive measures can result in its eradication," the daily added. "The causes of this sentiment undoubtedly lie in the anti-Japanese education propagated by the Nanking Government and the recent rapprochement between the Government and the Communist Party. "As long as Sino-Japanese relations remain under the control of the Kuomintang, one can expect almost any unhappy situation between the two nations."

Japanese Present "Evidence" of Anti-Japanese Propaganda

Charging the Chinese forces with having "purposely delayed their evacuation in spite of the wishes of the leaders of the 29th Army to secure a prompt and peaceful settlement of the affair by preventing its aggravation," a Japanese communique issued July 9 contended that this attitude constituted "evidence of the fruits of anti-Japanese propaganda of the Nanking Government and the Communists conducted within the Chinese Army and directed especially at field officers."

The statement attributed the entire incident to the sentiment created by this alleged propaganda. "This state of affairs is causing a split in the Chinese Army and is leading the Hopei-Chahar Council into difficulties. It would be regrettable indeed, from the standpoint of East Asia as a whole, that such a tendency should facilitate the realization of the ambitions of the Popular Front."

"Nichi Nichi" Predicts Similar Incidents in Future

Regrets over the latest Sino-Japanese incident in North China, at a time when the relations between the two countries appeared to show signs of improvement were voiced by all Tokyo newspapers, June 9. The *Nichi-Nichi*, however, predicted that similar incidents would recur unless "Gen. Chiang Kai-shek abandons his plans for the 'centralization' of North China." The Hopei-Chahar

Political Council, the journal said, was originally created for the purpose of administering a "neutral zone" between Japan and China. Because "of recent events, the Council," the daily added, "has already lost its *raison d'etre*. Gen. Sung Cheh-yuan's retreat to Loling, regarded by the Japanese with impatience and contempt, is also nothing but a variety of passive anti-Japonism. If we follow this line of reasoning, it would not be an exaggeration to say that the Council—nay, the Nanking Government itself—was behind the incident.

The *Tokyo Asahi* declared that the incident would not have happened if the recent negotiations for a readjustment of Sino-Japanese relations had been continued. "It is not too late for the Chinese authorities, however," the journal declared, "to prevent the recurrence of similar incidents or to check a possible aggravation of the situation in North China."

Hidaka and Dr. Wang Discuss Lukouchiao Incident

The Lukouchiao incident in North China was the main topic of discussion at an interview between S. Hidaka, Counsellor of the Japanese Embassy in Nanking, July 10, and the Chinese Foreign Minister, Dr. Wang Chung-hui.

Considering the sudden increase of Japanese troops in the vicinity of Peiping and at Lukouchiao as in contravention of treaty provisions, the Chinese Government holds Japan responsible for the illegal activities of the Japanese Army. A view to the said effect was conveyed by Tung Tao-ning, sectional chief of the Asiatic Affairs Department of the Waichiaopu, to S. Hidaka, Counsellor of the Japanese Embassy, on July 11 in a telephonic conversation.

Mr. Tung also requested Mr. Hidaka to wire to the Japanese Foreign Office in Tokyo and the Japanese Garrison Headquarters in Tientsin to immediately cease all military activities of the Japanese forces in North China.

Mr. Hidaka was learned to have promised to communicate the views of the Waichiaopu to the parties concerned.

Dr. Wang Chung-hui, Minister of Foreign Affairs, at the same time summoned Chen Chieh, Vice-minister of Foreign Affairs, and Dr. T. T. Li, Director of the Department of Publicity and Intelligence, to a conference to discuss measures to cope with the North China situation.

A *Reuter* message from Nanking July 11 stated that the Chinese leaders in Nanking, Kuling and Peiping were reported to be resolved to throw their whole weight into the balance if major fighting occurs in North China.

Waichiaopu Lodges Written Protest

The Waichiaopu July 10 lodged a written protest with the Japanese Embassy in Nanking over the Lukouchiao incident which arose on the night of July 7 when Japanese troops attacked Wanpinghsien.

Regretting the occurrence of the Lukouchiao Incident as liable to obstruct Sino-Japanese co-operation, S. Kawagoe, the Japanese Ambassador, in a statement at Tsingtao July 9 said he hoped that both countries would manifest sincerity in settling the incident at an early date and thus prevent the aggravation of the situation.

CHINESE FOREIGN OFFICE STATEMENT PUTS RESPONSIBILITY ON JAPANESE

A statement concerning the renewal of Sino-Japanese hostilities at Lukouchiao by a spokesman of the Minister of Foreign, Affairs at Nanking July 11, contained the following points:

"According to reports received, the Japanese military have, in violation of arrangements reached for the suspension of hostilities at Lukouchiao, refused to carry out the complete withdrawal of their troops to the designated points. They have maintained more than 200 troops at Wulitien and have further effected a concentration of over 1,000 men at Tawayao, both points being a little to the northeast of Lukouchiao.

"Beginning from 6 o'clock p.m. yesterday (July 10) the Japanese troops have launched a series of fierce attacks on the Chinese soldiers at Lukouchiao. In the meantime large numbers of Japanese troops have been ordered to the Peiping-Tientsin area from their stations, both at home and in Manchuria.

"Such military activities, indicating as they do that a large-scale military campaign was contemplated, have further increased the tension brought about by the Lukouchiao incident. For this, the responsibility rests solely with the Japanese.

"The Lukouchiao affair, it may be recalled, broke out late in the night of July 7 when a number of Japanese troops were engaged in illegal maneuvers at Lukouchiao. In the course of their war exercises the Japanese demanded to enter the walled city of Wanping for a search on the pretext that one of their men had been missing.

"Upon this demand being refused by the Chinese authorities the Japanese immediately launched an artillery attack upon the city, thus giving rise to the outbreak of hostilities. It appears quite obvious that the Japanese troops acted in accordance with a preconceived plan.

"Acting in self-defence the Chinese troops at Lukouchiao have put up a stern resistance. At the time the Foreign Ministry lodged a vigorous protest with the Japanese Embassy, demanding the immediate cessation of military activities on the part of the Japanese troops and reserving for China the right to make legitimate demands.

"Meanwhile the Chinese local authorities have been engaged in patient negotiations with the Japanese with a view to an early amicable settlement of the affair. Our firm determination and painstaking efforts to preserve the peace must be obvious to all impartial observers.

"On the evening of July 8, an understanding was reached by the two parties on the following basis:

"(1) Cessation of military activities on both sides; (2) Withdrawal of troops on both sides to their original positions; (3) Lukouchiao (bridge) to be guarded as heretofore by Chinese soldiers.

"But unfortunately the tranquillity thus restored was short-lived. As indicated by subsequent developments, the Japanese military, instead of showing the least sincere effort to bring about a peaceful settlement appear to have entered into the understanding with no other object than that of gaining time to call up reinforcements for a fresh offensive.

"The policy of China is internally economic reconstruction and externally the maintenance of peace. So far as our relations with Japan are concerned, our policy is to seek peaceful settlement through diplomatic channels of all outstanding issues on the basis of equality and reciprocity.

"Such being the case the Chinese government earnestly desires that the Japanese will immediately cease all military activities and in accordance with the understanding previously reached withdraw their troops from the scene of the conflict.

"Furthermore, with a view to avoiding the possibility of future conflict, it is also to be desired that the Japanese will refrain from stationing troops or holding military maneuvers in those parts of China, where no foreign troops are allowed."

Dr. Wang Chung-hui Returns to Nanking from Kuling

Dr. Wang Chung-hui, Minister of Foreign Affairs, returned to Nanking July 9 from Kuling by airplane. Shortly after his arrival, he conferred with the various ranking officials of the Ministry on the Lukouchiao Incident.

CHINESE JURIST POINTS OUT THAT JAPANESE EXCEED TERMS OF BOXER PROTOCOL

Regarding the statement issued by the spokesman of the Japanese Foreign Office on July 10, seeking to defend the maneuvers on the part of Japanese garrison troops in North China under the terms of the Boxer Protocol eminent jurist resident in Nanking commented July 11 as follows:

"The Japanese Foreign Office spokesman has attempted to defend the Japanese maneuvers in the vicinity of Lukouchiao on the basis of Article 9 of the Joint Note of the Allied Powers concerning the Boxer Uprising and the Fourth Paragraph of the note exchanged between China and the Powers separately, Japan included, concerning the restoration of Tientsin to the Chinese authorities.

"The Japanese spokesman evidently has forgotten that the Joint Note of the Allied Powers, which demanded of China the right to keep open communication between Peking and the sea was conditioned upon the occupation of only certain points to be determined by an agreement between the Powers and that agreement was later embodied in the final protocol signed on Sept. 7, 1901, fixing twelve points along the Peking-Mukden Railway.

"It is to be noted that these points do not include Fengtai which the Japanese have occupied since the latter part of 1935 and still less Lukouchiao, which being located on the Peiping-Hankow Railway could not possibly have had anything to do with the question of open communication between Peking and the sea.

"The Japanese spokesman appears to be equally oblivious of the fact that reference in the Fourth Paragraph of the note exchanged between China and the Powers to 'the right of carrying on field exercises and rifle practice, etc, without informing the Chinese authorities except in the case of feux de guerre' applied by the very term of the note only to troops stationed in Tientsin and not to the troops stationed in the other eleven points specified in the final protocol.

"Still less could it have applied to Lukouchiao, a place not situated along the Peking-Mukden Railway. It may also be observed that 'field exercises and rifle practice' can in no way be interpreted to mean maneuvers on a scale of those which the Japanese have been in the habit of carrying on during the last couple of years in spite of repeated strong protests from China."

In conclusion the jurist said that in his opinion the Japanese not only have no legal basis for the holding of maneuvers near Lukouchiao but appear to have betrayed a complete lack of any sense of propriety.

"If they had sought to oust the Chinese soldiers from Fengtai after illegally sending troops there, as they did on Sept. 18, 1936, they should at least have had enough consideration to leave them alone in Lukouchiao instead of following up there under the cover of maneuvers.

"This appeared to be another instance of the fact that aggressors are never able to set a limit to their own acts."

Nanking Journal Says Pacific Means Are Futile in Settling North Issue

Futility in the employment of "pacific means" to settle the Lukouchiao incident was pointed out by the Nanking *Hsin Min Pao* in an editorial July 12; "pacific means" adopted by the Chinese Government towards Japanese aggression, the paper opined, will not thoroughly settle the trouble nor will it attain true peace.

Since the Mukden incident of 1931, the Chinese Government, the paper recalled, has been trying to settle disputes between China and Japan through "pacific means," but the efforts have been fruitless in improving the relations between the two countries or in consolidating peace in the Orient.

Recalling the Fengtai incident of last year, the journal said, the evacuation of the 29th Army from the strategic railway junction planted the seed of the recent Lukouchiao case.

In the hope of "peaceful settlement" of the latter incident, the Chinese authorities withdrew the troops of the 29th Army from Lukouchiao replacing them with the Peace Preservation Corps under the command of General Shih Yu-san. But in violation of the agreement reached in the negotiations with the Chinese authorities, the Japanese troops failed to evacuate from the scene of conflicts, thus aggravating the situation.

Continuing to apply this "pacific" formula for the settlement of the latest incident, the paper predicted, the Chinese authorities will be compelled to allow Japan to station troops in Wanping, and the Yungting River area or to mark out these places as a buffer zone to be garrisoned by Peace Preservation units.

Although in so doing, a temporary peace in North China may be obtained, the paper pointed out, the stationing of Japanese troops in these places would directly menace the safety of Peiping and would cut North and South China into two separate parts.

In order to avoid Hopei and Chahar being turned into a second "East Hopei regime," nothing less than an armed resistance can repulse Japan's aggression, the paper concluded.

Chinese Newspapers Say Lukouchiao Incident Was Premeditated

That the Lukouchiao incident which occurred early on Thursday morning was a "prearranged and premeditated provocative action on the part of the Japanese military" was the consensus expressed by leading Chinese papers in Shanghai July 9.

All the journals—the *Shun Pao*, *Sin Wan Pao*, *Ta Kung Pao*, and *China Times*—held the Japanese responsible for the latest incident, declaring that unless the Japanese "reconsider their action and withdraw their troops, the Chinese soldiers, for the defence of China's soil, will resist to the last man."

The papers also charged that the Japanese are unreasonable in their demand to search Wanpinghsien for a missing Japanese soldier at midnight.

The *Sin Wan Pao* wondered how the Japanese were convinced that the soldier must have fled into the walled city "in the darkness." Even though he had entered the city, it was difficult to search for him during the night, the paper said. It was regrettable that the Japanese soldiers should have launched a surprise attack on Wanping as the matter could easily have been settled if both sides sent officials to the city to conduct an investigation, this journal remarked.

The *Shun Pao* observed that the latest Japanese military move is aimed at seizing Wanpinghsien, a strategic point on the Peiping-Hankow Railway, having good command of Peiping and Tientsin. This journal also said that the Wanping incident is a repetition of the Fengtai case of last year, in which the Chinese troops withdrew from the important railway junction in compliance with Japanese demands.

The present incident, according to the *Shun Pao* and the *Ta Kung Pao*, was expected in view of the recent Japanese internal political situation. In order to divert the attention of the Japanese people from their domestic affairs, it is natural for the Army to create some incident or aggression in other countries.

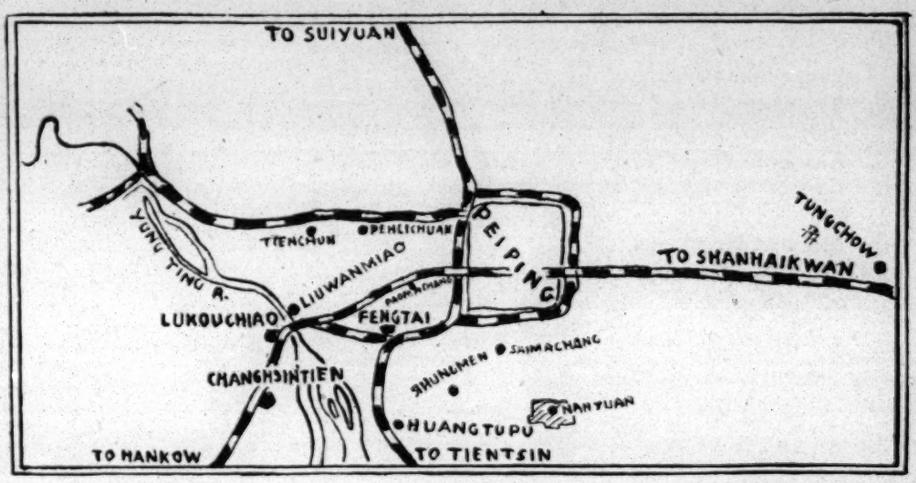
"Pravda" Says Japan Creates Drill-Ground for Further Aggression in Suiyuan

The view of the situation in North China, as seen by Moscow *Pravda*, is that, "while organizing fresh provocation in North China, the Japanese intend to cut off approaches to Chahar from the south, facilitate the suppression of the insurrection in Chahar and create a drill-ground there for further aggression in Suiyuan."

Japanese military authorities, the newspaper continued, are seeking to liquefy the growing influence of Nanking in North China and to force the North Chinese authorities to accept the Japanese demands in order to place before Nanking a *fait accompli*.

Moscow *Pravda* July 10 commented:—"The events in Lukouchiao form the first serious clash between Japan and China since the advent of the Konoye Government to power. Evidently, the provocation of Lukouchiao constitutes the direct materialization of a 'new' Japanese policy in China. The negotiations commenced by Japan with Britain undoubtedly played their role and constituted one of the stimuli for the organization of the provocation. In the opinion of Tokyo, the successful outcome of the provocation would have strengthened not only the Japanese positions in North China, but also the position of Japan in her negotiations with the British on the plan of the division of China into spheres of influence proposed by Japanese imperialism."

MAP OF PEIPING REGION, WHERE RECENT FIGHTING OCCURRED



—*Evening Post Map*

Italy's Attitude One of Detachment

Italy's attitude towards the fighting in North China is one of complete detachment, political circles in Rome, July 11, averred. Actually, Italy is too busy with the Spanish question to pay much attention to China, it was declared. The Italo-Japanese rapprochement, however, which accompanied the anti-Communist Agreement between Japan and Germany, has assured Japan of a more sympathetic hearing than would have been the case before the sanctions period.

Since that time the Italian press has classed Japan with Italy and Germany as a virile country lacking space.

"Washington Post" Says Japanese Are Playing with Fire

The Japanese Kwantung Army was taken to task in an editorial appearing in the *Washington Post* July 10, which discussed the situation arising out of the fighting near Lukouchiao. The editorial was entitled "Playing With Fire."

The North China situation, the editorial stated, will be troublesome as long as the Kwantung Army continues to indulge in the same kind of tactics in the area in the future as it has done during the past several years.

"Whether it was the Japanese soldiers or the Chinese soldiers who fired the first shot is not clear. This point is really of little importance. The Japanese on this and many other occasions were clearly inviting trouble by engaging in night maneuvers in areas garrisoned by Chinese troops," the editorial stated.

Pointing out that Japan was embroiled with Russia a week ago and now is creating trouble in China, the editorial said that the events are inevitably the outgrowth of restless policies pursued by the Japanese army of occupation during the past several years.

Japanese activities in North China, the *Post* continued, have made China jittery. There was no telling when these constant maneuvers would be turned into actual operations designed to further extend the sphere of Japanese control in North China.

America Informs Both Sides that a Conflict Would Be Great Blow to Cause of Peace

An armed conflict between China and Japan would be a great blow to the cause of peace and world progress, according to a U.S. State Department announcement communicated to the Japanese Ambassador, Hiroshi Saito, and the Counsellor of the Chinese Embassy by Cordell Hull, Secretary of State in Washington July 12.

(*Continued on page 261*)

Program for Readjusting Szechwan-Sikong Armies Adopted; Summer Training Classes at Kuling Opened

HIGH LIGHTS IN THE EVENTS OF THE WEEK:

1. **Central Government Succeeds in Nationalizing Szechwan-Sikong Armies.**
2. **General Ho Ying-chin Returns to Nanking After Visit to Chungking.**
3. **Conditions in Sinkiang Are Improving, Recent Revolt Suppressed.**
4. **Soochow Court Orders Further Detention of "Seven Salvationists."**
5. **Training Classes at Kuling Opened; Chiang Soon to Begin "Summer Conversations"**
6. **Kawagoe Goes North, Hsu Abandons Intention of Resigning Tokyo Post.**
7. **Chinese Decide to Boycott World Educational Meet at Tokyo.**
8. **Nanking Takes Steps to Suppress Circulation of "Manchukuo" Banknotes.**

The newly created Szechwan—Sikong Military Rehabilitation Commission held its first meeting July 7 at the auditorium of the Generalissimo's Provisional Headquarters at Chungking. Presiding over the meeting, General Ho Ying-chin, Minister of War and Chairman of the Commission, made a detailed report on China's present military preparations. Gen. Ho emphasized that the aim of the military readjustment is to nationalize the armed forces for the defence of state. In order that the entire military force may be nationalized, modernized and enabled to shoulder the responsibilities of national defence and cope with modern warfare, he said, military readjustment on a wide scale is imperative and all unnecessary expenses saved for the provision of new military equipment. With this in view, therefore, the Ministry of War has, acting on the general principles of troops readjustment fixed by General Chiang Kai-shek, has readjusted and nationalized tens of divisions in the course of the past 18 months. The reorganized troops now constitute the pillar of national defence. The general principles governing military readjustment, formulated by General Chiang, were submitted to the 3rd Plenary Session of the 5th C.E.C. in February this year and adopted for enforcement. They are:

1. The system of military organization is to be made uniform for all military units throughout the country. At present, six different systems are in vogue, To meet the requirements of modern warfare and equipment, however, all troops will be reorganized into Grades A and B.

2. The larger military units will be reduced, and the smaller units increased.

3. The fighting strength of military units will be augmented.

4. The ordinary military appropriations will not be increased. Within the original amount of appropriations, the military forces are to be readjusted so as to ensure better treatment for military officers and soldiers in accordance with the regulations governing military appropriations during the period of national emergency and balance the appropriations and expenditure. The troops will be readjusted without further increase in expenses.

5. The affairs of military personnel and administration will be dealt with in accordance with law. For instance, the appointment, transfer, punishment, encouragement and retirement of officers and soldiers will be effected with the approval of the Central authorities in accordance with the personnel regulations. No appointment, removal or transfer should be made by the local authorities without the previous approval of the Central Government. Military appropriations will be disbursed directly by representatives of the Central Government, in accordance with the fiscal and budgetary systems, so as to avoid embezzlement.

Gen. Ho further stated that according to reports received by the Central authorities, the military forces in Szechwan and Sikong are composed of 8 armies comprising 26 divisions, 9 independent brigades, or a total of 171 infantry regiments—an army two and a half times larger than the Japanese army. With one province having to maintain such a large force, small wonder that little attention is paid to military equipment.

Gen. Ho then drew attention to four important points:

1.—In nationalizing the various military forces, the Central authorities will not appoint new officers to the various reorganized units; the strength of the troops will not be reduced but rather enhanced.

2.—The original military appropriations will be maintained. Unnecessary expenditures will be saved for improvement of the treatment of officers and soldiers and replenishment of military equipment.

3.—The Central authorities will look after the welfare of superfluous troops after the readjustment. Some of them will be despatched to military academies for training, while others will be assigned to reclamation work.

4.—The aim of the Central authorities is to solve the difficulties of the local authorities and divide the responsibility of the local commanders. The Government is by no means prejudiced against the local military authorities, who should guard against being misled by seditious elements.

Besides General Ho Ying-chin, the following members of the Commission were present at the meeting:—

General Ku Chu-tung, Director of the Chungking Provisional Headquarters of the President of the Military Affairs Commission, Vice-Chairman of the Commission; General Liu Hsiang, Chairman of Szechwan, and Pacification Commissioner for Szechuan and Sikong, Vice-Chairman of the Commission; Lieut.-General Ho Kuo-kwang, Chief-of-Staff of the Chungking Provisional Headquarters; Lieut.-General Yang Sen, Commander of the 20th Army; General Lieut. Tang Shih-tsun, Commander of the 21st Army; Lieut.-General Pan Wen-hua, Commander of the 23rd Army; Lieut.-General Liu Wen-hui, Commander of the 24th Army, and concurrently Chairman of the Committee for the Establishment of the Sikong Provincial Administration; Lieut.-General Sun Chen, Commander of the 41st Army; Lieut.-General Wang Tsan-hsu, Commander of the 44th Army; Lieut.-General Teng Hsi-hou, Commander of the 45th Army, and concurrently Vice-Commander-in-Chief of the 6th Route Army; Lieut.-General Li Chia-yu, Commander of the 47th Army; Lieut.-General Hsiang Chuan-i, Vice-Commander of the 24th Army; General Hsia Tou-yin, Chief Counsellor of the Chungking Provisional Headquarters; Lieut.-General Li Yun-hun, Commander of the 16th Army; Lieut.-General Chou Hun-yuan, Commander of the 36th Army; Lieut.-General Fan Shao-tseng, Commander of the 146th Division; Lieut.-General Kuo Hsun-chi, Commander of the 147th Division; Lieut.-General Hsu Shao-tsung, Commander of the 161st Division; and Lieut.-General Chang Pang-pen, Commander of the 164th Division.

The second session of the Commission was held July 8. During the session a verbal report was rendered by Kwan Chieh-yu, Director of the Financial Supervisory Department of the Generalissimo's Provisional Headquarters at Chungking on the financial conditions in Szechwan and Sikong. Mr. Kwan's report was followed by another made by General Liu Hsiang, Chairman of Szechwan, regarding the distribution of garrison posts and military strength and equipment in the province. The meeting continued the following morning when various important questions were brought up for discussion.

A detailed program for military readjustment in Szechwan and Sikong was adopted at the concluding session of the Commission on July 9. The program, as revealed by Gen. Ho Ying-chin, embodies four main points, namely, reorganization of troops, distribution of military expenses, personnel problems, and the time limit for the military rehabilitation. According to Gen. Ho, the program was worked out in accordance with the principles laid down by the Central Government. The time limit for the troops reorganization in the two provinces, Gen. Ho revealed, has been fixed for one month. No large-scale disbandment will take place, he further stated. Only officers and soldiers who are old and physically unfit will be disbanded with pay while superfluous troops of one unit will be properly placed in another or drafted to do reclamation work. The Central military authorities, Gen. Ho continued, will take over all arsenals, magazines, gunboats, army planes, sanitary materials, communication and telegraph services hitherto under the control of the authorities of the two provinces. Gen. Ho was followed by Gen. Liu Hsiang, who asked the audience to stand fast to overcome all difficulties that may arise in executing the military rehabilitationplan.

Indignant over the provocative activities of Japanese troops in North China, the conference of the Commission sent a telegram July 9 to the 29th Army, praising their efforts in defending the town of Wanping. A three-minute silence was observed at the meeting in mourning of those who fell during the heroic defence.

HO YING-CHIN RETURNS TO NANKING AFTER VISIT IN SZECHWAN

Gen. Ho Ying-chin returned to Nanking by plane July 10 from Chungking. Gen. Ku Chu-tung, Director of the Generalissimo's Provisional Headquarters in Sian and Vice-Chairman of the Commission will, however, remain in Chungking to work in cooperation with Gen. Liu Hsiang, Chairman of Szechwan, in nationalizing the fighting units in the two provinces. Interviewed upon his return, General Ho said that the rehabilitation plan has been completely accepted by the members of the Szechwan-Sikong Military Rehabilitation Commission. The spirit of sincerity shown by General Liu Hsiang, and all the ranking

officers of Szechwan and Sikong, General Ho said, dispelled all malicious rumours about the border province. According to a decision reached at the conference of the commission, all Szechwan and Sikong troops will be reorganized according to the central system before August 15. The handover of the local branch of the Central Military Academy, central military organs and units will also be completed within this period, the War Minister further revealed. General Ho told his interviewers that he would seek instructions from General Chiang Kai-shek, President of the Executive Yuan, regarding the subsidies for the two border provinces.

In a mandate July 1, the National Government formally appointed Ho Pei-hneg as Reconstruction Commissioner for Szechwan, succeeding Lu Tso-fu, whose resignation had been accepted. In another mandate, Gen. Hsiung Shih-hui, Chairman of the Kiangsi Provincial Government, was concurrently appointed Reconstruction Commissioner for Kiangsi.

CHIANG TING-WEN NAMED ACTING HEAD OF GENERALISSIMO'S HEADQUARTERS IN SIAN

Gen. Chiang Ting-wen, Pacification Commissioner for Fukien and one of the high officers detained at Sian during the mutiny last December, has been named Acting Director of the Generalissimo's Provisional Headquarters in Sian. Gen. Chiang will act for Gen. Ku Chu-tung, who is now in Chungking personally directing the military readjustment of the Szechwan and Sikong armies.

CONDITIONS IN SINKIANG ARE IMPROVING, RECENT REVOLT SUPPRESSED

A revolt has just been suppressed in Sinkiang, according to Chao Kuo-yuan, representative of General Sheng Shih-tsai, Defence Commissioner for the Sinkiang Border. The revolt was precipitated by Lieut.-General Ma Pu-ti, Commander of the 6th Division, two months ago under the instigation, it is alleged, of a foreign country. The revolt was quickly suppressed by General Sheng, who did not order his troops to pursue the rebels as the latter retreated towards the frontier. After receiving fresh military supplies from foreign sources, the rebels launched another offensive last month, but were completely routed by General Sheng on June 30. According to Mr. Chao, a three-year programme of land reclamation has been drawn up by the Sinkiang Provincial Government. The province is divided into a number of military reclamation areas.

85 per cent of the population of Sinkiang are Mohammedans. In the past, the Mohammedans were not permitted to hold Government posts. Consequently, conflicts often occurred between the Mohammedans and the Hans (Chinese). Massacres and reprisals were of frequent occurrence. The situation in Sinkiang now is however different. Mohammedans are appointed to such posts as district magistrates and local administrators, and racial discrimination has practically disappeared. No massacres have occurred in the past few years. Mass education is being actively promoted by the Sinkiang Provincial Government. Most of the products in Sinkiang are transported to Russia for sale, while Russian machinery is also imported. General Sheng Shih-tsai has engaged the services of Russian advisers and technical experts, but has entered into no political relations whatsoever with Soviet Russia, Mr. Chao added.

SOOCHOW COURT ORDERS FURTHER DETENTION OF "SEVEN SALVATIONISTS"

On the ground that investigations have not been concluded. the Kiangsu Provincial High Court has ordered detention for another two months of the seven leaders of the so-called "All-China National Salvation Association" who are charged with offences endangering the Republic. The seven accused are Shen Chun-ju, Chang Nai-chi, Wang Chao-shih, Li Kung-pu, Tsou Tao-fen, Sha Chien-li, and Miss Shih Liang.

The following demands, which were submitted to the Procurator of the Kiangsu High Court in Soochow by Madame Sun Yat-sen and eleven other leading members of the All-China National Salvation Association during the latter's visit in Soochow, have been accepted, according to *Tien Hsia Jih Pao* July 7.

(1) That patriotism is not a crime in China.

(2) The investigations be conducted by the Court in connection with the request submitted by Madame Sun and the others.

(3) That the Court should accept the request of Madame Sun, should the latter be able to give adequate evidence.

(4) That a similar trial should be opened by the Court, if other members of the All-China National Salvation Association requested that they be given the same prosecution as the "seven patriots."

TRAINING CLASSES AT KULING OPENED, GEN. CHIANG SOON TO BEGIN "SUMMER CONVERSATIONS"

The opening ceremony for the various summer training classes at Haihuisze, Kuling, was formally held July 9. The various ranking officials of the Central Government now at Kuling were present. General Chiang Kai-shek, presided, and delivered an address.

A party of 30 Chinese students arrived at Peiping from Tsinan July 5 en route to Kuling, by way of Hankow, to undergo training there. These students were selected from among several thousand senior middle school students who have just completed six weeks of military training at Hsinchwang near Tsinan. Captain Li Lan-tze is in charge of the party.

Necessitated by the delay in arrival of some of the participants, the "summer concersations" at Kuling originally scheduled to start on July 15, have been postponed to begin on July 17. Eighty three participants, mostly government officials and noted college professors, will take part in the first of the three conversations with Gen. Chiang Kai-shek, President of the Executive Yuan, and Wang Ching-wei, of the Central Political Council. The second and third groups of participants, it is stated, will arrive at Kuling before July 26 and August 6 respectively to take part in the conversations. Topics of conversations, Gen. Chang Chun, Secretary-General of the Central Political Council, announced July 13 will be classified into four main groups, namely political, economic, diplomatic and educational affairs. Special emphasis, it is learned, will be laid on national reconstruction and furtue administrative policies. Among the noted participants who arrived at Kuling recently were Dr. Hu Shih, the eminent philosopher, Yu Yu-jen, President of the Control Yuan, and Dr. Mei Yi-chi, Chancellor of the National Tsinghua University.

Wang Ching-wei, Chairman of the Central Political Council, called July 7 on General Chiang Kai-shek, President of the Military Affairs Commission and the Executive Yuan. Views were exchanged between Mr. Wang and General Chiang concerning political Affairs and the convocation of the series of Kuling conferences.

SUN CONFERS WITH GENERALISSIMO ON CURRENT AFFAIRS

Sun Fo, President of the Legislative Yuan, called on General Chiang Kai-shek, President of the Executive Yuan, July 6 to confer with the latter on current domestic affairs.

Mr. Sun returned to Nanking from Kuling by the C.N.A.C. airplane at 3 p.m. July 9, accompanied by Dr. Foo Ping-chang, Chairman of the Foreign Relations Committee of the Legislative Yuan, and Liang Han-tsao, Secretary-General of the Yuan.

Mr. Sun arrived at Shanghai by train July 10 to make preparations for his trip to Canton. He is leaving some time next week for the south.

General Chiang Kai-shek has made a personal contribution of $10,000 towards the Foundation Fund of the proposed Han-Min College, to be established in memory of the late Hu Han-min, former Chairman of the Standing Committee of the C.E.C. The donation was made during the recent visit to Kuling of Liang Han-tsao, Secretary-General of the Legislative Yuan, who reported to General Chiang on the preparations made for the establishment of the college.

Yu Yu-jen, President of the Control Yuan, left Nanking July 12 by boat for Kuling on official business.

T. V. Soong, member of the Standing Committee of the National Economic Council, will arrive at Kuling shortly to interview Gen. Chiang Kai-shek, President of the Executive Yuan, on the currency reform of Kwangsi.

General Li Tsung-jen, Pacification Commissioner for Kwangsi and concurrently Commander of the 5th Route Army, will fly to Kuling in a few days to see General Chiang Kai-shek, President of the Military Affairs Commission, according to a *Kuo Min* report.

In response to the invitation of Mr. Wang Ching-wei, and General Chiang Kai-shek, a group of educational leaders has departed from Canton for Hankow by the Canton-Hankow Railway en route to Kuling to participate in the conference to be convened on the 15th inst. The list includes Tsou Lu, President of the National Sun Yat-sen University, and Wu Kang, Huang Yuan-pin and Teng Chih-i, Deans of the Colleges of Arts, Law and Agriculture respectively, and Professors Jen Chi-shan, Fan Chi, Hsieh Fen-kwang and Hung Shen of the University; Lu Tzu-tseng, President of the Hsiang-Cheng University; Dr. Chung Yung-kwang, President of Lingnan University; and Chang Hsiang-pu, Vice-President of the Kwangtung Kuo-Min University.

Domei reported July 6 that Gen. Sung Chel-yuan, Chairman of the Hopei-Chahar Political Council, would not attend the current political deliberations in Kuling.

A telegram, expressing their endorsement of Gen. Chiang Kai shek's promotion of rural welfare service undertaken by students during the summer vacation, was sent to the Generalissimo by conferees of the China Agricultural Society at Hankow July 9. This formed an important feature of the session of the annual conference of the Society held at the Wuhan University in Wuchang. A decision to launch a campaign to raise $200,000 as a foundation fund for the society to be used for rural research work was also reached at the meeting.

KAWAGOE PASSES THROUGH TSINGTAO ON WAY TO TIENTSIN

Ambassador Shigeru Kawagoe told the press at Tsingtao July 9 that he had received no instructions to return to Nanking. He added that he had no intention of changing his original schedule, which provided for his departure for Tientsin by air on July 14. Following a two-day stay in that city, he said he would leave for Peiping. "I believe," the envoy said, "that the Lukouchiao incident should be settled fairly and immediately, and on the spot. "I have no intention of reopening the negotiations for a readjustment of Sino-Japanese relations, as the moment is not ripe for such a step." Mr. Kawagoe left Shanghai July 8 in the s.s. *Hoten Maru*. He was originally scheduled to continue his journey by air from Tsingtao to Tientsin on July 11.

Mr. Kawagoe made a courtesy call on Admiral Shen Hung-lieh, Mayor of Tsingtao, July 10. Mr. Kawagoe thanked Mayor Shen for his efforts in effecting an amicable settlement of the Sino-Japanese incident (the strike in a Japanese cotton mill) which occurred in Tsingtao last winter and the recnet misunderstanding concerning the transfer of the Salt Revenue guards.

In his weekly interview with Chinese pressmen July 6, D. Kato, First Secretary of the Japanese Embassy in Peiping, said that Mr. Kawagoe expected to arrive in Tientsin on July 14. He would spend three days there, arriving in Peiping on July 17. Mr. Kawagoe would spend at least a month and a half in Peiping. Asked whether Mr. Kawagoe would call a conference of Japanese consuls in North China during his brief stay in Tientsin Mr. Kato replied that he did not know. Mr. Kato further said that he originally intended to return to Japan before going to Hankow to assume his new post as Japanese Consul-General there but had now changed his plans. He expected to leave for Hankow about July 20 to take up his new post, later returning to Japan for a brief holiday.

HSU SHIH-YING ABANDONS INTENTION OF RESIGNING TOKYO POST

In view of the grave Sino-Japanese situation arising from the military clash in North China, Hsu Shih-ying, Chinese Ambassador to Japan, has abandoned his original intention to resign from his post, *Central News* reported July 12. In order to handle the situation at the Chinese Embassy, Mr. Hsu will shortly sail for Tokyo to resume his duties July 17.

CHINESE DECIDE TO BOYCOTT WORLD EDUCATIONAL MEET

To uphold the principle of non-recognition of "Manchukuo," the Federation of Chinese Educational and Academic Organizations, at an emergency meeting held at Nanking July 10, decided to boycott the seventh world educational conference to be held in Tokyo in August. This decision was made following the receipt of a second letter from Dr. Oshima, director of the preparatory committee of the international conference in Tokyo, confirming that "Manchukuo" delegates have been permitted to attend the conference.

In defiance of Chinese public opinion the Japanese authorities formally invited July 10 "Manchukuo" to attend the forthcoming world educational conference which will be held in Tokyo in August

Confronted with acute shortage of funds to finance their projected enterprises as a result of the strict rules in Japan restricting the outflow of capital, representatives of the Japanese Chamber of Commerce in Tientsin, Tsingtao, Tsinan and other cities in North China were scheduled to hold a joint meeting at Tientsin July 10 to devise ways and means to remedy this situation. A resolution has been drafted for the conference recommending that the Ministries of Finance, Commerce and Industries, Foreign Affairs, War and Navy in Tokyo, the North China Garrison Headquarters, and the Japanese Embassy in China be instructed to take appropriate steps to change the existing regulations.

YIN JU-KENG LEAVES TUNGCHOW FOR TONGSHAN "ON REQUEST"

On the advice of "certain quarters," Yin Ju-keng, self-styled chief executive of the bogus East Hopei Regime, left Tungchow July 11 for Tongshan by car, according to a *Central News* message from Tientsin. While the motive behind requesting Yin to leave Tungchow is unknown, it is stated that Yin will remain in Tongshan for some time.

REPORTS OF IMPENDING REORGANIZATION OF HOPEI-CHAHAR COUNCIL DENIED

Recent reports about an impending reorganization of the Hopei-Chahar Political Council were given an emphatic denial at Shanghai July 10, the *Central News Agency* learned. Said rumors were in circulation a few days ago to the effect that the protracted absence from Peiping of Gen. Sung Cheh-yuan, Chairman of the Council, was more or less in connection with the contemplated organization of the Council. An official denial to these reports was received at Shanghai July 10 by Li Kwang-an, representative of the Council resident in Shanghai, from Gen. Chin Teh-chun Mayor of Peiping and acting Council Chairman.

According to a *Reuter* report, General Sung Cheh-yuan, Chairman of the Hopei-Chahar Political Council, has written an autograph letter to Chen Chueh-sheng, Managing Director of the Peiping-Liaoning Railway, urging him not to become pessimistic but to carry on his duties as usual. During the past week or so many rumours have been circulating in Peiping and Tientsin about the imminent removal of Mr. Chen from the directorship of the railway. Mr. Chen is reported to have become so discouraged by these rumours that he wrote a long letter to General Sung at Lolin, explaining his position and intimating his desire to resign. General Sung immeditaely replied urging him not to resign and reiterating his confidence in him.

NANKING TAKING STEPS TO SUPPRESS CIRCULATION OF "MANCHUKUO" BANKNOTES

Banknotes issued in the puppet "Manchukuo" have been smuggled into Shanghai and circulated, according to a recent report received at the Ministry of Finance. In order to safeguard the National currency, three steps have been taken by the Ministry.

1. The Customs authorities have been instructed to strictly prohibit the importation of "Manchukuo" notes.
2. The Greater Shanghai Municipal Government has been requested to suppress native banks in Shanghai circulating such notes.
3. The Shanghai City Chamber of Commerce has been enjoined to notify its members to refuse to accept the "Manchukuo" notes.

According to reports from Chinese circles in Peiping, Fu Chen-sheng, Director of the Bureau of Finance in the Tientsin Municipality, has submitted his resignation to General Chang Tze-chung, the Mayor. Mr. Fu is said to be ready to hand over his duties to his successor. The reason for the step which Mr. Fu has just taken, is said to be due to his conflict with Tientsin merchants over the business tax question.

Dr. Alfred Sze, until recently recently Ambassador at Washington, arrived at Tsingtao from Shanghai by boat July 8 to spend the summer. He plans to stay in Tsingtao two months.

Yui Ming, new Director of the Shanghai office of the Waichiaopu, assumed his post at 9.30 a.m. July 12 at the Office of Tifeng Road. Chen Ming, the newly appointed Deputy Director of the Office, assumed his new duties at the same time.

NEW APPOINTMENTS ANNOUNCED BY WAICHIAOPU

Liu Chia-chu has been appointed by the Ministry of Foreign Affairs as Consul-General for Hanoi to succeed Wang Shih-tsch, who has been recalled to the Ministry. The Waichiaopu also appointed Chiang En-kai and Shao Ju-chien, consuls for Paris and Sourabaya respectively. Mi Sih-chung has been named vice-consul in Managua, Nicaragua.

Continuing its war on illiteracy in China, the Ministry of Education plans to teach at least 20,000,000 illiterates how to read and write in the current fiscal year (July 1, 1937-June 30, 1938), according to Chen Li-kiang, director of the Social Education Department of the Chiaoyupu. Mr. Chen revealed that the anti-illiteracy work will be carried out in two phases. free education and mass education. Free education aims at preventing futur illiterates and has as its objective the 37,000,000 schoolage children who have not received schooling. Mass education, on the other hand, aims at converting the present 202,000,000 illiterate adults into literates. According to the program of the Ministry of Education, 20,000,000 will be given the rudimantaries of education in 1937-38, 28,000,000 in 1938-39, 36,000,000 in 1939-40, 44,000,000 in 1940-41, and 52,000,000,000 in 1941-42. China's educational and cultural budget for the 26th fiscal year totals $45,884,096, according to an official announcement of the National Government. Of this amount, $42,934,368 are ordinary and special budgetary estimates for government institutes, while $2,949,728 are subsidies for various private institutes.

Yu Ya-ching, one of the leading members of the Shanghai community, arrived at Kuling July 10 from Shanghai in response to a summons from General Chiang Kai-shek, President of the Military Affairs Commission. Mr. Yu reported to General Chiang on the recent crisis on the Chinese Cotton Goods Exchange in Shanghai. Interviewed, Mr. Yu said that it is difficult for merchants to provide cash even for $80,000 or $100,000 on the Exchange. During the recent crisis, however, some of the cheques amounted to several million dollars. This indicated that influential persons were behind the speculations. While he hoped that the situation will not become worse, he said that the investigations should be pushed to their logical conclusion. According to Mu Ou-chu (H. Y. Moh), Chairman of the Board of Directors of the Exchange, the recent trouble was caused not by large buyers of cotton but by speculators. As his duties were only concerned with the brokers, he did not know what the relations between the brokers and their clients were.

United States to Sell Large Quantities of Gold to China in Exchange for Silver

The United States has arranged to sell China large quantities of gold in return for Chinese silver, it was announced in Washington July 9 by Secretary of the Treasury Henry Morgenthau, and the Chinese Minister of Finance, Dr. H. H. Kung. In a joint communique the two officials revealed that "arrangements have now been made through which the Government of China will purchase from the United States Treasury a substantial amount of gold.

"To aid the Chinese Government in thus augmenting its gold reserves, and in accordance with the Silver Purchase Act of 1934, the United States Treasury will purchase an additional amount of silver from the Chinese Government.

"The United States Treasury will also broaden the scope of the arrangement under which the Bank of China has been enabled, under conditions which safeguard the interests of both countries, to obtain dollar exchange for stabilization purposes."

The gold, it was announced, would remain in the United States, for use in China's monetary-stabilization program.

Mr. Morgenthau said that the "broadening" of the dollar-exchange facilities referred to mechanical arrangements in handling such transactions. Mr. Morgenthau characterized the development as strengthening the monetary relations of both countries, and said it would indirectly react beneficially upon the tri-partite international monetary agreement between Great Britain, France, and the United States.

Dr. Kung said that China was not short of foreign-exchange balances, but wished to carry a larger proportion of its reserves in gold than in silver. The location of the reserves, he said, did not matter, and hence the gold to be purchased would remain in New York.

Dr. Kung added that China's notes were secured by sixty per cent cash and 40 per cent securities. He said neither he nor Mr. Morgenthau wished to make public the amount of the transaction, for fear of speculation affecting the world price of gold.

Good Results from Purchases of Silver by the United States Last Year

Commenting on the results of last year's silver purchases from China, Dr. Kung and Mr. Morgenthau said that they were "greatly gratified by the beneficial results to both countries in consequence of the understanding reached last year, and equally gratified that we are able to announce further progress in our cooperation." It had been a source of satisfaction, they said, that the programme for monetary reforms and currency stabilization in China had been carried out with great success and accompanied by increased trade of China with other nations, "particularly the United States, which occupies first place in China's foreign trade."

Increased Credit Facilities Provided

With his departure for New York July 11, Dr. H. H. Kung ended his second visit to Washington, lasting four days, during which he concluded the new arrangement with Secretary of Treasury Henry Morgenthau for Sino-American monetary co-operation.

These arrangements provide:

1. Sale of Chinese surplus silver to America.
2. Purchase of substantial amount of gold from America by China with a view of augmenting the Chinese Government's gold reserve.
3. Increased credit facilities, made available to the Central Bank of China for currency stabilization purposes.

Observers in Washington said that the conclusion of these arrangements will strengthen the Central Government of China as a world power as well further tighten the economic bonds between China and America. They congratulated the Chinese Finance Minister on his creditable achievement within such a short period.

Referring to credit facilities extended by the Import-Export Bank, Dr. Kung expressed his appreciation for the part played by Jesse Jones, Chairman of the Reconstruction Finance Corporation, Warren L. Pierson, President of the Import-Export Bank, in furthering Sino-American trade relations.

"The traditional friendship between our two countries across the Pacific," he said, "is now making further progress through the medium of monetary and economic co-operation. Such co-operation leads to increase of international trade and currency stabilization which in turn contributes to political stability and world peace."

The Kung-Morgenthau statement read, in part, as follows:

"Monetary co-ooperation which resulted from the conference of the U. S. Secretary of Treasury with the representatives of the Chinese Ministry of Finance in May, 1936, has contributed to the very successful functioning of the new Chinese monetary system with benefits both to China's internal economy and American trade.

"We are now able to announce further progress in monetary co-operation between the two countries in pursuit of the understanding reached a year ago.

"At that time the Secretary of the Treasury made the statement, 'I feel confident that the monetary program being pursued by the National Government of China is not only along sound lines but constitutes an important step toward the desired goal of the stability of world currencies.

" 'To supplement their efforts towards that objective and to co-operate with them in their program of monetary reform and currency stabilization and in accordance with our silver purchase policy we have definitely indicated our willingness under conditions mutually acceptable to make purchases from the Central Bank of China of substantial amounts of silver and also to make available to the Central Bank of China under conditions which safeguard the interests of both countries, the dollar exchange for currency stabilization purposes.'

"At the same time the Minister of Finance of China made a public statement expressing the firm belief that the new measures of monetary reform which were then being adopted by the Chinese Government and the arrangements made with the United States would insure the stability of Chinese currency and that this would inevitably lead to greater economic improvement and prosperity to the Chinese people.

"Arrangements have now been made through which the Chinese Government will purchase from the United States substantial amounts of gold. To aid the Chinese Government to thus augment its gold reserves and in accordance with the terms of the United States Silver Purchase Act of 1934, the U.S. Treasury will purchase an additional amount of silver from the Chinese Government.

"The U.S. Treasury will also broaden the scope of the arrangement under which the Central Bank of China has been enabled under conditions which safeguard the interests of both countries to obtain dollar exchange for currency stabilization purposes."

Japan Not Protesting Against Credit Accord

Henry Morgenthau, Secretary of the Treasury, was asked in New York, July 12 whether, in view of its good effect on China's credit, Japan had protested against the American agreement to assist China to stabilize her currency. Mr. Morgenthau replied that he did not know of any protest.

Dr. H. H. Kung in Radio Speech Describes China's Reconstruction Programs

An undercurrent of dynamic forces, functioning with increasing momentum, has been pushing China during the past 30 years toward the threshold of a modern nation, Dr. H. H. Kung told countless numbers of American radio listeners in his broadcast in New York July 6 over the National Broadcasting Company's blue network hook-up.

Dr. Kung, who spoke for 15 minutes, related the manifold reconstruction programs which are now going on in China. He told his audience that China welcomes economic aid from abroad if such assistance is given on the principle of equality in treatment.

The text of Dr. Kung's speech follows:

"Three decades ago, it was my privilege to set foot on American soil for the first time as a student, eager to learn what your great country had to teach. Today, it is my pleasure to be here as a messenger of goodwill, charged with the mission of studying the economic conditions in America.

"Just as I carried back with me from my first visit recollections of my college days at Oberlin and Yale, so shall I carry back pleasant memories of delightful hours spent with my American friends and hospitalities extended to me by the American Government and people.

"There is, however, a great contrast between China of my college days and China of the present-day. China was then on the verge of a political upheaval, but now she is at the threshold of the period of national reconstruction. The struggle during the last 30 years is the price the Chinese people had to pay for the transition between the passing of the old regime and the advent of the new order.

"During the struggle, China may have given unfavorable impressions to western nations, but as a matter of fact, the disturbances and crises she has experienced represent but healthy sign of progress. Serious though each crisis may seem at one particular moment, it is like a storm that disturbs only the surface of the ocean while an undercurrent of dynamic forces have been functioning with increasing momentum. Upon these forces China is depending for her ultimate destiny and unity of her 470,000,000 people.

"What are these forces? In the first place, there is democracy as embodied in the Three People's Principles of Dr. Sun Yat-sen which have been playing an important role in building up China. Although ruled by monarchs for centuries, democracy has always been deeply rooted in the Chinese tradition. Confucius bore witness to this fact when he said, 'People come first; government

comes next; monarch comes last.'

"Dr. Sun Yat-sen's Three Principles are accurate interpretations of Chinese sentiments of democracy and similar to principles of Government of the people, for the people, by the people,'

"Another force has been at work for Chinese solidarity in the spirit of self-preservation, self-defense and self-help. Just as in biological sciences, the law of preservation reigns supreme. The growing realization of this necessity has strengthened her public opinion to an amazing extent and there exists a nation-wide consciousness that China must chiefly rely on her own efforts and resources to determine her future destiny.

"Heritage of Chinese people is another factor in Chinese reconstruction. The inherent vitality, the aptitude to adapt themselves to environment and the undying faith in China's great future on the part of the Chinese people has been responsible to a large extent for shaping China's modern history. These virtues are imbued in flesh and bones of her people from Canton to Manchuli and from Shanghai to Malaya. Millions of lives and billions of dollars have been lost in China during the last few decades because of natural catastrophe and foreign aggression and yet in spite of such losses, China's national vigor increases as the days go by.

"I believe you all know that China is now a united nation, that she has carried out her monetary reforms with great success and her people is imbued with a new national spirit.

"Furthermore, in the reconstruction of a new nation, our people have demonstrated the wisdom of assimilating new ideas as well as conserving the best of our own culture. For instance, we have accepted western methods for improvement of communications as well as development of modern industry. At the same time, we are trying our best to retain and revive the best in our own traditions. The New Life Movement under the leadership and guidance of President and Madame Chiang speaks eloquently of this signicant fact.

"In reconstruction of new China, our Government and people welcome the co-operation of other nations, provided that such cooperation does not infringe upon China's sovereign rights. We welcome economic assistance from abroad provided it is based on principles of equality and reciprocity. We are determined to have peace with our neighbors far and near alike when peace is possible and compatible with our national integrity.

"It is hardly necessary for me to add that friendship and cordial relations between China and the United States are traditional, but I am always happy to recall that we have much in common and we have much to give to and to take from each other. We have the same republican form of Government which stands for liberty and democracy. Both are peace loving and possess the same idea of justice and fair-play. In the realm of commerce, you are able to supply us with machinery toward development of China's natural resources and we are able to give you tea so that you may enjoy moments of leisure. You give us petroleum to light our dark country homes, while we give you silk to glorify your women.

"Even in our national flags, we have much in common. Not only are they the same colors, but your flag has stars which gleam at night and our flag has a sun which makes gloomy day bright. Bearing these happy sentiments in mind, may we pledge ourselves to do what we can to strengthen the traditional friendship between the two countries. May we become custodians of the peace of the Pacific. At the beginning of the present century, John Hay crystallized Sino-American relations into what is known as the 'Open Door Policy,' China is now ready to expand into a policy of open heart and open arms, so as to make the Pacific truly worth its name."

American Political Writer Points Out Significance of Agreement

In a front-page article July 10 in the *Washington Post*, Franklyn Waltman, well-known political writer, pointed out the significance of the new Kung-Morgenthau agreement for exchanging U. S. gold with Chinese silver.

"Aside from tightening the economic bonds between this country and China, the new monetary arrangement is regarded as a further strengthening of the Nanking Government of China as a world power," the article said. Dr. Waltman pointed out that Sino-American trade increased during the first months of this year, with Chinese exports to the United States increasing 30 per cent and American exports to China increasing 65 per cent.

Dr. Kung and Dr. Wang Place Wreath on Washington's Tomb

Dr. Kung and Dr. C. T. Wang July 9 went to Mount Vernon and placed a wreath at the tomb of George Washington. They bowed three times before the crypt and then toured the Washington mansion and surrounding gardens. A large number of persons sought Dr. Kung's autograph during the visit. Dr. Kung told the *United Press* following his visit to Mt. Vernon that he had been impressed by the home of Washington. "I think a great man must live close to nature," Dr. Kung said, "where he can think apart from the rush of life and be close to his Maker."

Stanley Hornbeck, chief of the Far Eastern Division of the State Department, later invited Dr. Kung, Dr. Wang, their daughters and some members of their staffs to an informal dinner at the Congressional Country Club to be held night of July 9.

Directors and senior officers of the National City Bank of New York entertained the Chinese Minister of Finance, Dr. H. H. Kung, and members of his entourage on July 5. Independence Day, which fell on a Sunday, was spent in the palatial 900-ton yacht Lotosland owned by Col. E. A. Deeds, director of the Bank.

The outing gave Dr. Kung an opportunity to relax from his formal program in New York and Washington and also to chat informally with the National City Bank officials. The program arranged for Dr. Kung occupied the full day.

Dr. H. H. Kung Cuts Short Visit to the U. S. Because of Sino-Japanese Crisis

A *Reuter* message from Nanking July 12 stated that the Government had received a telegram from Dr. H. H. Kung, stating that he is returning to China early next month because of the Sino-Japanese crisis. This will involve a curtailment of his tour. Dr. Kung departed from New York July 14 on the s.s. *Normandie* for Europe accompanied by Dr. P. W. Kuo, Y. K. Woo, and one or two members of his party. He is said to be proceeding to Nauheim to get a much-needed and well-deserved rest cure after brief stop-overs in London and Paris.

Canton Correspondent Says No Tangible Result Accomplished Regarding Kwangsi Banknotes

A correspondent at Canton writes that no tangible result has been accomplished for the stabilization of Kwangsi banknotes despite the recent visit of T. V. Soong to Kweilin. Owing to the uncertainty of the Kwangsi currency, its value in Canton (says this correspondent) has dropped back from the height reached during Mr. Soong's Kwangsi visit. Selection of a mayor for Canton was among the many items discussed at Kuling by General Chiang Kai-shek, and General Wu Te-chen, during the latter's visit to Kuling. The present mayor, Tseng Yang-fu, will become Provincial Commissioner of Finance, a post he temporarily fills for three months on behalf of Commissioner T. L. Soong, who was on sick leave at the Peiping Union Hospital.

Chinese in Japanese Factories to Be Paid Partly in "Manchukuo" Notes

It was reported in the *China Evening News*, July 6 that 20 per cent of the wages of the Chinese workers in Japanese factories here will be paid by "Manchukuo" notes and if these notes are not accepted by the Chinese shops, the workers are told to buy goods from Japanese shops.

A threat to call a general strike of Chinese workers in Japanese cotton mills if any part of their salaries were paid in Manchukuo currency was voiced by an unnamed body of mill hands, the Shanghai *Nichi-Nichi* reported.

Measures Adopted to Check Circulation of "Manchukuo" Notes in Shanghai

Financial authorities in Nanking, July 7 announced measures to check the circulation of "Manchukuo" banknotes in Shanghai, in order to protect the position of legal tender. The step was taken, it was learned, after receipt of reports that notes of the puppet state had appeared on the Shanghai exchange market.

$2,796,000 Credit Loans Extended to Fukien Cooperative Societies

A total of $2,796,000 of credit loans has been extended by the Fukien Reconstruction Department to cooperative societies in various districts in the province during the first six months of this year, according to an official announcement.

$20,000,000 Worth of Silver Shipped from Shanghai to England This Week

Approximately $20,000,000 in bar and coin silver were put on board the C. P. R. liner *Empress of Russia* which sailed from Shanghai July 13. The money, destined for England, came out of the vaults of the Central Bank of China and the Bank of Communications. It took seven lighters to take the silver from the jetty to the Jukong Wharf. The transfer of the $20,000,000 took place under the supervision of a large group of bank officials, members of the Shanghai Municipal Police, the Customs River Police, and officials of the C.P.R.

Japan Mining Co. to Purchase American-Owned Gold Mine in Chosen

The *Chugai Shogyo* July 4 stated that following long-drawn-out negotiations, the Japan Mining Company has succeeded in concluding a contract for the purchase of the Entei Gold Mine in the Heian Hokudo Province, Chosen, owned by an American, at a cost of Yen 5,000,000. The company has already obtained the permission of the Tokyo Finance Ministry to make an overseas payment in this connection. A procedure to be gone through with the Chosen Government-General is the only action left pending the completion of the purchase of the gold mine.

Japan Fires the "First Shot"—China Resists at Lukouchiao and Elsewhere

BY C. Y. W. MENG 孟昭洙

CHINA will not fire the "first shot," but Japan will. China does not wish to fight with Japan now, but Japan wishes to do so. The China of 1937 is sure to return fire and defend herself whenever is she attacked, irrespective of consequences, even so far as a war with Japan. Such is our conclusion after a study of the Sino-Japanese crisis. The bombardment of Lukouchiao, or Marco Polo Bridge, 20 miles west of Peiping, by machine-guns and artillery fire by the Japanese forces at 11 o'clock in the night of July 7, and the stiff defence offered by the Chinese sentries should be sufficient to verify our conclusion, and to demonstrate to the world that Japan is the aggressor which has destroyed even the *last* ray of hope for peace in the Far East; and that China, in returning the fire, fights only in self-defence and for self-preversation and self-existence.

The "Lukouchiao Affair" further shows to the world that Japan is by no means *sincere* in her peace talk with China. While the Japanese diplomats talk about "new concept," "friendship," "co-existence and co-prosperity," etc., the Japanese militarists never like to have peace with China. They embark on a policy of "bombardment" of the Chinese cities, one after another, first in Suiyuan and now in Hopei, within less than half a year! This is conclusive proof that the Japanese army has got beyond the control of the civil authorities, or "The Army Conquers The Diplomats" (quoted from the title of Chapter XXII of "Japan In Crisis" by Harry Emerson Wildes), and that the Japanese army has gone "amuck" and has become far more vigorous in pushing their so-called continental policy on the Asia Mainland. In starting the bombardment of Marco Polo Bridge, the invaders hoped to achieve another success as that gained on September 18, 1931, but the Japanese army has apparently mistaken China of 1937 for that of 1931!

Another Premeditated Bombardment

Like the bombardment of Mukden, the bombardment of Lukouchiao was entirely well planned and premeditated. Like many other "incidents" which were all purposely and wilfully manufactured to justify their military actions, the search for a "missing soldier" was only a pretext to start trouble with the Chinese authorities.

Lukouchiao, as may easily be seen from the map, is one of the stragetic places in northern China. Two or three months ago, the Japanese militarists had already presented "proposals" to the Chinese authorities demanding the right to buy land in Fengtai and Lukouchiao for construction of Japanese barracks and an airdrome. A compromise suggestion, according to the report, was that the Peiping Railway should purchase the land, and rent it to the Japanese military. But the Japanese wanted "direct ownership," to which the Chinese refused to agree. The bombardment of Lukouchiao on July 7 was certainly premeditated and intended to be a "cut of the Gordan Knot by one stroke"! A further study will throw more light on the situation.

Backgrounds

It is an open secret that during recent months, General Sung Cheh-yuan, Commander of the 29th Route Army, and concurrently chairman of the Hopei-Chahar Political Affairs Committee, has been strongly pressed by the Japanese military with "proposals" in connection with the many items on the Sino-Japanese cooperation program, such as purchase of land in Hopei, construction of Shihchiachang-Tsangchow Railway, etc. It is equally an open secret that under such circumstances, General Sung had to leave the former capital, and to go to his native place (Loling) "to repair his ancestors' tomb." During his absence, his subordinate officials could easily block the mouths of the Japanese military by saying that "General Sung is on leave." In the meantime, while selling of land to aliens is made a capital offense punishable by dealth, the construction of the railway from Shihchaochang to Tsangchow is also being announced by the Nanking authorities as "an undertaking which could only be taken up by the Ministry of Railways." Despite much effort by the Japanese to induce the General to return to Peiping, he is still in his native place. There is wide rumor about General Sung's absence from Peiping, but the real reason is to avoid meeting the Japanese military officials. Further, according to a dispatch from Tokyo (see an editorial of the *Shanghai Times*—Chinese—dated July 9), it is plainly stated that "Japan, not being satisfied with General Sung, as the latter could not be directed at Japan's will, has always planned to exert strong pressure to force him to retire, so as to give a chance to the Chinese traitors to take his place;" and that "Japan has felt uneasy over the territories where the 29th Route Army is staying, so Japan hopes to enlarge the demilitarized zone." That is, the Japanese plan to start "direct negotiations" with General Sung has met failure.

A short time ago, Dr. Sun Fo, President of the Legislative Yuan, in an interview discussing the Sino-Japanese situation, said plainly that "political questions must be settled first before economic problems can be taken up for discussion." Since then, we have seen the Chinese nation-wide demand for the abolition of the so-called "Eastern Hopei Anti-Communist and Autonomous Government," one of the puppets of the Japanese military in north China, which is now the base of operation of the Japanese-sponsored "smuggling" and Japanese military actions. This demand has also been endorsed by the more open-minded Japanese at home. The officials of the Japanese Economic Mission to China, in their report, were also quoted as having advised the Japanese military to abolish the bogus administration. But the Japanese military in north China refused. Not only that, they planned to strengthen the bogus administration. At the same time,—let it be noted—Mr. Kawagoe's statement regarding North China, which he gave out on his way to China, was bitterly criticized by the Chinese press. "Nanking views the Japanese Ambassador's statement with pessimism." (see *North China Daily News*, June 27). In many editorials, the Chinese papers pointed out that such is *not* a new concept, but a wrong concept, as the Japanese diplomatic representative regards North China as "separated" from China Proper and from Nanking control. That is, the Japanese attempt to regard the northern problems as "local issues," and regard the northern China as "separated" from China, has met another failure.

A couple of weeks ago, the personnel for the election of the representatives to the coming National Congress, to be held in November, 1937, were selected in Hopei and Chahar. While this action has greatly pleased the Chinese people, the same has undoubtedly greatly displeased the Japanese military. For what the Japanese military is trying to do is to separate these two provinces from Nanking control, but what Nanking is doing is exactly the opposit—to exercise full and effective control and administration over these two provinces.

Today, we find the whole Chinese nation has pledged itself not to buy "smuggled goods." This movement has spread like wild fire from every commercial port to every city in the interior. The Japanese have apparently begun to feel the strain of the new Chinese movement; for after all, what is meant by "smuggled goods" is only another name for "Japanese goods." It is not the smugglers (largely the Chinese traitors and Korean ronins) who are to suffer but the industrialists in Osaka who feel the pinch. It is not a failure of the smugglers, but it is a failure of the Japanese militarists. So anti-smuggling, to Japan, is tantamount to the "anti-Japanese boycott" in the past. So in our gossip, the keen observers already opine that "smuggling and anti-smuggling may lead Japan and China to go to war."

As reported, Peiping for the past few days has been flooded with rumors, and the Chinese authorities have been arresting the Chinese traitors and Korean plotters, who are bought by the Japanese military to make troubles. But as indicated in a dispatch (dated July 4) from Peiping (see *The China Press*, July 8), "Japan in Peiping finds the 29th Route Army ready to accept the challenge." Another dispatch also indicated that the "large number of Chinese troops in the vicinity is said to have been the only reason why an outbreak has not occurred before" (see *The Shanghai Evening Post*, July 8). That is, it is sufficiently clear that the original Japanese intention was to start the trouble in Peiping and to seize the former capital at once. But due to the Chinese preparations for the eventualities, the Japanese military had to change the place to Lukouchiao.

In other words, the Japanese military has long been planning and attempting to establish their so-called "special position" in north China by first inducing the Chinese local authorities to agree to their demands. But they failed in one attempt after another. Further, the Japanese find that the Chinese attitude is rather firmer than ever before; and they conclude that there is no hope to extract any promise from the Chinese, other than by means of force. So the bombardment of Lukouchiao began.

In this connection, we must add that the recent "purge" in Moscow has also served as a stimulus to encourage the Japanese to start the bombardment. In Japanese eyes, the purge indicates the disintegration of the Red Army, so it is an "opportunity" for Japan. Secondly, we must also add that the present Anglo-Japanese conversation in London, as well as lack of Anglo-American cooperation in the Far East, have both served as spurs which set the horse to running at full speed. In their attempt to march to Peiping and to wrest Inner Mongolia from China, what the Japanese military worries about most is apparently the opposition from the Soviets. But with the wholesale execution of the Red Army officials, one group after another, the Japanese military considers the "favorable time" to act has come. The Japanese military is too impatient to wait for another opportunity, so act now! All this sums up the general background which led to the bombardment of Lukouchiao on July 7.

Demands

According to another report (see *Tai Hsia Evening Post*, Nanking, dated July 9) quoting a dispatch from Tientsin, the Japanese demands are :

(1) Immediate withdrawal of the Chinese troops.
(2) Apologies.
(3) Punishment of high officials (many).
(4) Abolition of the Military Training Committee, and dismissal of two high officials (names not given by the *Evening Post*).

If the "Lukouchiao Affair" had happened in 1931 or in the summer of 1935 (when the Ho-Umetsu Agreement was signed), the above demands might have been accepted by the Chinese. But in the summer of 1937, this is impossible.

Reactions

General Sung, in his first and definite instruction to General Feng Chi-an, Chairman of the Provincial Government of Hopei, ordered : "Dont yield (or retreat) to the demands . . . Hopei is the cemetery of our Army!" (see *Ta Kung Pao*, Shanghai Edition, dated July 9). Such is the heroic massage sent by "the man of the hour" in the North, which should be one of the historic documents in Chinese annals!

Col. Chi Sing-wen, the defender of the Marco Polo Bridge at the time of the Japanese bombardment, said openly that he and his soldiers "like to live or to perish together with the city!"

The bombardment of Lukouchiao has again caused another stream of urgent telegrams to be sent by the Chinese individuals and public bodies to General Sung urging him "to remain firm." The telegram from the Chinese General Labor Union in Shanghai urged the General "to reject the Japanese demands, not to accept any portion of them." At the same time, another stream of urgent telegrams was sent to the 29th Route Army, partly to praise and console them for their defence against the invaders and for the sacrifice they had made ; and partly to encourage them "not to cede an inch of our territory," adding that "we, the people in this part of the country, swear to give them full support." Should the "fighting" not cease a campaign to raise funds for "the comforts of the soldiers on the front" would at once be started. As was the case before, several million dollars could easily be raised in a couple of days.

The following may sum up the consensus of the Chinese opinion regarding the latest development of the Sino-Japanese crisis :

1. The Chinese consider that the holding of military manœuvers in Lukouchiao, the interior of China, is a conclusive evidence of the total Japanese disregard of Chinese sovereignty in northern China.
2. The Lukouchiao Affair is not an "incident," but a well planned and premeditated bombardment, similar to that of the Mukden bombardment, with a view to occupying this strategic center.
3. The Chinese unanimously hold the Japanese responsible for the affair.
4. The Chinese consider the bombardment as a deliberate attempt on the part of the Japanese military to start war with China.
5. The bombardment is another Japanese attempt to create another demilitarized zone around Peiping and along the Peiping-Hankow and Tientsin-Pukow railways.

"Another Eve of September 18, 1931"

In an editorial on "Here Comes Another Eve of September 18, 1931," the *Sin Min Pao*, one of the leading papers in the Capital, pointed out that the bombardment of Lukouchiao is motivated by the "jealousy" over the Chinese national unification and revival, and the desire to strengthen the bogus administration, "so as to make Shensi and Shantung another Eastern Hopei." But in order to accomplish such a task, Japan believes that "she has to act before the other does," said the editorial. "To take the initiative and to press forward with aggression has always been the unbroken policy of the Japanese. But should China yield to their demands, and let them station troops in Lukouchiao, Fengtai and Wangpei, that means the Japanese have succeeded in the first objective, and it is a foregone conclusion that the second step would follow. In the event of the affair being further developed, Japan could easily cope with the situation, due to previous preparations. If the situation is not turning for worse, Japan could make use of the *fait accompli*. So our minimum step is to defend the territory and resist the attack, but never to abandon any territory," emphasized *inter alia* the editorial. After pointing out that the Chinese victory in Suiyuan has already proved the fallacy of the theory of "fear-of-the-Japanese sickness" and "powerfulness in the armament," the paper concluded by expressing its confidence in the 29th Route Army officials and soldiers as well as in the Nanking leaders to do what the Chinese people are expecting from them.

In another editorial, the *Chao Pao*, or Morning Post, in Nanking, urged the Chinese authorities (1) "not to abandon Wangpei, and not to let Wangpei be a second Fengtai" (where the Chinese troops were withdrawn and Japanese troops stationed) ; and (2) "to preserve the freedom and right to station troops in Wangpei, but not to agree to the demand to let only a certain brigade be stationed there." "The withdrawal of the 29th Route Army from Lukouchiao should be only temporary in order to avoid the clash, but the Army should re-enter Wangpei . . . We must prepare ourselves to wipe out all the features which made the establishment of a Special Position in North China possible," concluded the paper.

That is, the "first shot" which the Japanese military fired has failed to hit the mark. The Chinese are fully aware that the Japanese military will continue to fire. Alertness on the part of the Chinese authorities to the Japanese subversive activities is not only true in Peiping, but also in Shensi on the west and Shantung in the south. While the minute organisation in Shensi under the "model governor" (General Yen Shih-sen) has practically wiped out the activities of the Japanese "special service" plotters, the iron hand of the governor of Shantung (General Han Fu-chu) has also given no chance for the Japanese to work in Shantung. With Suiyuan well defended, the only place where the Japanese military could fire their "first shot" was, of course, Hopei and Chahar. So the Chinese advise those who have pictures of the many palaces and buildings of Peiping in their possession to keep them well as *souvenirs*. The Chinese have determined "to live or to perish together with the city" but never to abandon the city!"

Nanking, July 11, 1937.

Notorious Opium King at Foochow Taken into Custody

(From The Review's Foochow Correspondent)

Yeh Chin-huo, the notorious opium-king, is a native of South Fukien. He is the manager of the Yu Min Company with head office at Foochow and branches at Amoy, Chuanchow, etc. Through the connivance of Cheng Wen-tsao and Fen Wen-yu, director and vice-director of Fukien Anti-opium Bureau, the company, though established avowedly for sale of narcotics, has been stealthily and actually engaged in illegal transactions.

Arrest of Cheng, Yeh, etc.

Having been informed that Cheng Wen-tsao and Fen Wen-yu winked at the illegitimate traffic of the Yu Min Company, the Hankow Headquarters of Opium-suppression issued warrants for the arrest of Cheng, Fen, and Yeh. In the previous month, the Hankow office dispatched five agents to Foochow. In cooperation with police and local authorities, they raided the Fukien Anti-opium Bureau in the night of June 11 and succeeded in capturing Cheng Wen-tsao ; then they also raided the Y.M.C.A. hostel (Yeh Chin-huo's residence is situated at Huashan, Amoy, and he took temporary lodgings at the Y.M.C.A. hostel), the Yu Min Company (Chung Ting Street), and Pao Li Hong (its owner is a famous Formosan opium-dealer) where many high officers of Yu Min Company lodged. Yeh Chin-huo was captured when he was on his way from a brothel to the Y.M.C.A. hostel. Several officers of Yu Min Company were also captured. Fen Wen-yu fled to Hong Kong as soon as he heard of the capture of Yeh and Cheng.

Upon the request of the Japanese Consul-General, several captured persons, who are not important offenders, were released.

It is said that immediately after the capture of Yen Chin-huo, his accomplices held, in his residence at Huashan, an important conference participated in by a foreigner. What was discussed was not disclosed. An immense quantity of opium and important documents were stealthily conveyed from Yeh's house to another place.

Yeh's family, however, denied that any conference was held at Yeh's house or that there were opium and important documents in his house.

Yeh's Political Activities

The arrest of Yeh Chin-huo was not only due to his engaging in illegal opium traffic but also due to activities detrimental to the interests of the nation.

From Chuanchow it is learned that Yeh had organized a large scale smuggling company with a capital of $5,000,000. As a consequence of his last year's visit to Formosa, he got two prominent Formosans as partners and employed several foreigners as advisers. Opium, morphine, etc. are conveyed from Jehol to Dairen and Tangku where they are transshipped in fishing-boats to various places The traffic along coastal regions is entrusted to pirates, financed and organized by the company. In Macao, there is a warehouse for the storing of smuggled goods.

Yeh has been closeted with certain nationals on several occasions. In all probability, he is involved in South China political intrigue on the part of certain nationals.

According to a report not yet confirmed, high government officials in Foochow are connected with the above opium case. Nanking, it is said, pays great attention to this.

Reshuffle of Provincial Government Reported

Reports are in circulation that Chairman Chen, who lately suppered from a stomach disease, is recuperating at Kuling, the summer resort near Kushan, and will be transferred to another post and that Gen. Chiang Ting-wen will be appointed as governor in charge of civil and military affairs.

July 3, 1937.

I'M WORRIED ABOUT MY WIFE'S NERVES! AND HER SYSTEM IS ALL OUT OF ORDER!
SHE NEEDS THE PRECIOUS NERVE-NOURISHING VITAMIN B IN QUAKER OATS
...JUST THE OTHER DAY
... I HAD A CASE LIKE HERS. THIS YOUNG WOMAN SHED TEARS OF DESPAIR OVER HER CONDITION —
HER INTESTINES COMPLETELY LACKED TONE. APPETITE WAS POOR. SHE WAS A CLEAR CASE OF CHRONIC CONSTIPATION AND NERVOUS DEBILITY.
I ADVISED A GENEROUS QUANTITY OF QUAKER OATS DAILY. I CAREFULLY EXPLAINED WHY QUAKER OATS IS SO GOOD FOR US ALL. HOW ITS PRECIOUS NERVE NOURISHING VITAMIN B MUST BE TAKEN IN THE BODY EVERY DAY.
JUST THE OTHER EVENING I SAW HER AGAIN. SHE WAS RADIANT, WELL NOURISHED, SHOWED NO TRACES OF NERVOUS CONDITION. EVERY DAY I AM IMPRESSED MORE AND MORE WITH THE IMPORTANCE OF QUAKER OATS TO SOUND HEALTH.
THAT ADVICE MADE A NEW WOMAN OUT OF HER!

M-38

You can't have a healthy body **WITHOUT A DAILY SUPPLY OF THE PRECIOUS NERVE-NOURISHING VITAMIN STORED SO RICHLY BY NATURE IN QUAKER OATS**

Now available in Quick-Cooking form — Cooks in 2½ minutes.

It takes well-nourished blood to fight off colds, sickness, and anaemia. Blood that is nourished with generous supplies of food mineral-iron and copper.

That's why a daily diet of Quaker Oats is so good for us. It is one of Nature's richest sources of these two blood-building minerals. This same appetizing food gives us also an abundant supply of nerve-nourishing Vitamin B. A food element we must *eat every day* to avoid nervousness, constipation and poor appetite. For the good of your health, eat Quaker Oats every day.

QUAKER OATS

Gives you the Vitality to keep you fit

EXPERTS SELECT QUAKER OATS FOR DIONNE QUINTS

With the whole world of food science to guide them, experts in charge of these little wards of H. M. The King, put them on Quaker Oats even before their first birthday.

Made from plump Dominion grain.

50% richer in muscle-building value.

Yu Ya-ching Reports to Gen. Chiang on Recent Cotton Exchange Crisis

Yu Ya-ching, one of the leading members of the Shanghai community, arrived in Kuling July 10 from Shanghai in response to a summons from General Chiang Kia-shek. Mr. Yu reported to General Chiang on the recent crisis on the Chinese Cotton Goods Exchange in Shanghai.

Interviewed, Mr. Yu said that it is difficult for merchants to provide cash even for $80,000 or $100,000 on the Exchange. During the recent crisis, however, some of the cheques amounted to several million dollars. This indicated that influential persons were behind speculations while he hoped that the situation will not become worse, he said that the investigations should be pushed to their logical conclusion.

According to H. Y. Moh, Chairman of the Board of Directors of the Exchange, the recent trouble was caused not by large buyers of cotton, but by speculators. As his duties only were concerned with the brokers, he did not know what the relations between the brokers and their clients were.

Following conferences with General Chiang Kai-shek on hte cotton market situation, Tu Yüeh-sen, a director of the Chinese Cotton and Cotton Goods Exchange, arrived back in Shanghai from Nanking by train via Nanking July 12.

As persons alleged to be involved in the cotton scandal in Shanghai are now on trial by the Shanghai Special District Court, it is announced that General Chiang Kai-shek has instructed the Ministries of Industry and Finance to cease all further investigations.

Foreign Woman Arrested at Changteh for Drug Trafficking

A foreign woman drug trafficker carrying about $10,000 worth of morphine and other drugs was arrested at Changteh on the morning of July 6 soon after she arrived there by the Peiping-Hankow Railway, according to a belated report received in Kaifeng, July 9. The arrest was effected following a search personally conducted by Cheng Chih-loh, Administrative Commissioner. The foreign woman was found in possession of 16 parcels of drugs.

What Japan's Army Wants

BY GUENTHER STEIN

(*Asia Magazine, N.Y. for June*)

Lieutenant General Rensuke Isogai, one of the central figures in Japan's army today, assured the country two years ago that "Japan naturally requires a planned economy more comprehensive in scope than that required by any other country." The clamor for "war economy in time of peace" has been heard in Japan ever since the "Manchurian incident" which, according to the military, was merely the prelude to that supreme "national emergency" scheduled to materialize at any time in, or after, the year 1936.

Finally, in order to achieve all of these desiderata, the Japanese military demand establishment of some measure of state control over the entire economic life of the country.

Among the numerous demands put forward under this slogan in War Office pamphlets and in magazine articles by responsible army and navy officers have been the following: acceleration of armaments and of all industries connected with their production; expansion of all other branches of industry which are potential producers of war materials but can, in the meantime, rely on civilian markets abroad and at home for the sale of their manufactures; effective national policies designed to make Japan independent of foreign manufactures, raw materials and fuels; accumulation of all kinds of deficiency goods; development of all of the natural resources of Manchukuo and materialization of an economic bloc including Japan, Manchukuo and China; liberal exploitation of all of the country's financial and monetary resources for these purposes; hoarding of foreign exchange and gold for emergency needs; preparation for the obtaining of financial assistance from foreign sources in time of war.

In their relentless battle against the passive resistance of domestic political and economic interests, the Japanese fighting services concentrated all of their energies upon their most immediate demand, namely, increasing armaments. Here they were so successful that the curve of annual armament expenditures, which had been stagnant up to the time of the "Manchurian incident" in September, 1931, took a sudden upward turn in consequence of the Manchurian adventure. If we take the combined grants for both services in the fiscal year of 1931-1932 as the starting point and put it at 100, the curve jumped to 151 in 1932-1933, to 170 in 1933-1934 and to 207 in 1934-1935. As a result of the courageous resistance of Mr. Korekiyo Takahashi, the then Minister of Finance, its further rise was comparatively moderate, leading up to 225 in 1935-1936 and to 233 in 1936-1937.

During the past fiscal year, however, a "state of semiwar" was proclaimed, a War Office pamphlet alleging that "from the point of view of national defense the intensity of the present crisis is even greater than it was during the Russo-Japanese War, and at no previous time in history has there been more need for the people to buck up." Since, owing to the assassination of Mr. Takahashi in February, 1936, there was no longer a strong Minister of Finance to resist the demands of the military, the fiscal year which started on April 1, 1937, is likely to see the curve of armament expenditures jump once more, to 310 per cent over that of the year of the "Manchurian incident." And the tacit acceptance by the Cabinet of huge army and navy replenishment schemes for the future assures a further continuous rise of no mean proportions. The new Minister of Finance, Mr. Toyotaro Yuki, who came into office at the beginning of February after something like a financial panic had overthrown the Hirota Cabinet, began his task of restoring confidence in state finance by cutting 46,000,000 *yen* from the 1,400,000,000 yen that army and navy had been promised by his predecessor, but he had to restore these amounts.

The expansion and perfection of Japan's armament industries appear largely to have corresponded with the growth of armament expenditure and the promise of still greater increases in future budgets. But even so there are indications that this development, at least as regards quantitative capacity, has fallen short of military requirements. It is rumored that on account of the insufficiency of armament-producing capacity the services have not been able to spend all the money granted to them and consequently have had to insist on permission to carry over the remainder into the next fiscal year. It is said that heavy industries, and others connected with the production of armaments, already have orders for twelve or even eighteen months which are expected to keep them busy at full capacity. And, even though domestic steel production rose by 132 per cent from 1932 to 1936, the steel shortage was so acute that in Tokyo last December construction of reenforced concrete buildings had to be suspended for weeks.

Not much is known about the progress of these industries with regard to quality of production, but, judging from general features of industrial development in Japan, this should be satisfactory. Nevertheless it must not be forgotten that much industrial progress is being made abroad too, especially since the international armament race got a new impulse, and that in many branches Japan does not yet seem to have caught up with the most advanced industrial countries—probably not even with her most important potential foe, the Soviet Union. Meanwhile, the need for further expansion of capacity in all the war industries is being emphasized time and again, with special stress laid on the heavy industries, on the still decided backwardly automobile industry, and on the production of airplanes.

Other industries, too, are steadily expanding. Here the natural inclination of Japanese business men to take rather big risks in planning future production on a larger scale, having regard to the amount of orders expectable, than most western manufacturers would consider justified tends to meet the demand of the military for the greatest possible measure of general industrialization.

No statistics are available regarding total industrial production capacity, but the index of the total output of "producers' goods" keeps on rising. In November, 1936, the last figure available, it was higher by 11 per cent than it was a year before, and 69 per cent above the level of 1932, Imports of high-class foreign machchinery, too, are entering Japan to an almost undiminished extent, even though domestic machine building is making such signal progress. It is evident that nonarmament industries are receiving some share of all this additional equipment, mainly for the purpose of producing more export goods, although competition with the armament industries for the delivery of new domestic machinery is becoming increasingly keen. The cost of foreign machinery is often prohibitive for Japanese manufacturers, while the prices that certain Japanese machines are now fetching in foreign markets are attractive enough for their makers to be able steadily to increase their own exports.

A greater handicap to general industrial development, however, is the restriction of the Japanese capital market, on which war industries and the state make such very great demands. The great schemes ascribed to the army and navy for the purpose of "industrializing the countryside," in order both to bring relief to the long-suffering peasants and to extend and decentralize auxiliary war industries, do not seem to have come anywhere near realization. As a matter of fact the persistent preponderance of small and medium-scale factory units in Japanese industries must be regarded as a distinct hindrance to an efficient "mobilization of industry" in case of war. According to recent statistics, Tokyo's 12,000 factories average but twenty-three workers each, while its 29,000 workshops, mostly "industrial and machine-equipped," are units which average less than two workers.

The "national policies" which are to make Japan independent of foreign raw materials and fuels are being generally criticized by the military as half-hearted and almost ineffective. Supplies of raw materials for the greatly enlarged steel industry of the country constitute one of the main unsolved problems. It is true that from 1932 to 1936 Japan's pig iron production increased by 89 per cent, that is, to 2,219,050 tons. And at the same time the import of iron ore from abroad rose by 155 per cent to almost 3,780,000 tons. It was even more of an industrial achievement that during this period the monthly production of domestic steel products should have been raised by 120 per cent, that is, to 350,000 tons.

Yet, in order to make this possible, the imports of foreign pig iron and scrap had to be brought up to almost 2,500,000 tons, which is 146 per cent more than Japan needed in 1932. In other words, while the country was made fairly independent in its steel production—imports of steel and steel products now are restricted to special grades and are being balanced by exports of Japan's own steel manufacturers—dependence on foreign raw materials and semimanufactures has even grown.

Almost every ounce of iron in the steel "made in Japan" is foreign. Yet very little of Japan's iron import comes from Manchukuo, which, at a monthly average, sends but some 5,000 tons of such goods to her foster mother state, which once pinned so much faith to Manchuria's undeveloped iron resources. Prices keep on rising, and uneasiness is being felt about the prospect of an American export embargo on the scrap which is such a big item in Japan's raw material supply. The sudden failure of Soviet Russian pig iron to arrive in Japan, after the German-Japanese "anti-Communist" pact had once more increased the tension between Tokyo and Moscow, caused a very acute shortage. In view of these circumstances a fundamental revision of Japan's iron and steel policy is being demanded and the attention of the military has turned once more to some tremendously costly yet rather doubtful projects which had been discussed for years. These include the use, in special plants, of Japanese iron sand and sponge iron which have a very low iron content; large-scale exploitation of comparatively poor Manchurian ores; and large investments in North Chinese ore-fields, which, if followed up by full political control of that country, might possibly—after a long time—remedy the empire's deficiencies. But in the meantime the demand for steel grows from month to month, and, with the quick growth of political tension, dependence on foreign countries for ore, pig-iron and scrap supplies becomes ever more embarrassing.

Neither has the hope materialized that Japan would be freed from her almost complete dependence upon foreign oil supplies. The country's refineries have been greatly extended. But Japanese requirements of foreign crude oil have risen by 85 per cent since 1932, increasing imports of crude oil alone to some 88,000,000 gallons per month, while the import of mineral oil products also has had to be extended. Compared with this increase in imports, the 50 per cent growth in Japan's own production of crude oil,

which brought the monthly average up to 15,000,000 gallons, is of course negligible.

Here, too, projects which involve a tremendous outlay of capital, much doubt as to final success and a long period of waiting are being made the basis of ever more categorical demands by the army, and especially the navy. The coal reserves of both Japan and Manchukuo being abundant (though poor in quality), liquefaction has become the favorite slogan. Experiments are going on, both in connection with foreign methods and independently; plans, and apparently even preparations, are being made on a very large scale. Big Japanese capitalists are being reminded of their patriotic duty to enter this field of production, in Japan proper and in Manchukuo, even though there may be no chance of profits for some years to come. The last Diet session was presented with a bill providing for 10,000,000 yen of state investments in a new company the task of which will be to set out on the great venture of exploiting on a large scale liquefaction processes which have turned out successfully in laboratory experiments.

Here, too, Manchukuo has not lived up to the expectations of those who wished her to become Japan's salvation; for her monthly production of crude oil from shale has not exceeded 6,000 tons a month. A recent semiofficial report had this to say regarding one of Manchukuo's big petroleum companies: "Its main object is to exploit oil deposits but considerable time will be required before oil is actually produced and it is planning to refine crude oil imported from foreign countries." With regard to other raw materials, too, in spite of the billions of yen that Japan has spent and invested in that country during the past five years, Manchukuo has done very little indeed to decrease Japan's dependence upon foreign countries.

As a whole, Japan's dependence on foreign raw materials and semimanufactured goods is very much greater now than ever it was before the beginning of her armament boom. In 1932, the country had to spend for this purpose less than $30,000,000 per month; in 1936 about $60,000,000 per month, the increase being due partly to increased needs and partly to higher prices. Occasionally, there are rumors about the perfection of this or that synthetic process for the production of substitutes for deficiency materials. But with the exception of the huge Japanese rayon and staple fiber industries—which are already suffering from a dearth of pulp—no project is known to have materialized.

It is difficult to judge the sufficiency, or otherwise, of Japan's present raw material reserves; for only a few facts are known. The stocks of raw cotton are smaller than they were a few years ago. Wool stocks never were so much depleted as they are now, on account of the trade dispute with Australia. Stocks of coal and copper also have decreased. On other goods there are no figures. The only deficiency material of which Japan is known to keep very considerable supplies on hand is oil; for the foreign and domestic oil companies in Japan were forced to lay in six months' reserves. With this one exception, it is supposed that practically all of the increased imports have gone into consumption, for armament and other domestic needs, and into the production of finished manufactures for Japan's greatly enlarged export trade. Japanese stocks in general are not likely to be above normal—another reason for complaints and uneasiness, and another problem which could be solved only if the state should be willing and able to spend very large amounts of money, in order to perfect its "war economy."

The "liberal exploitation of all of the country's financial and monetary resources," in order to strengthen the nation for its expected supreme emergency, was only too thorough, according to the opinion of financial circles and all other civilian elements who are as critical as they may be of the country's armament and financial policy since the "Manchurian incident." On the contrary, the fighting services and certain activist circles are convinced that it was half-hearted, insufficient, and must be accelerated.

The facts are these: the State Budget has been increased year by year, and armament expenditure, together with the heavy costs of the national debt service, have already crowded out almost all expenditure for State Administration, making this fully dependet on national borrowing. The Diet had to approve the new record budget which, in spite of the minor cuts that the new Minister of Finance made from his predecessor's estimates on the civilian accounts, amounts to 2,860,000,000 yen, if the supplementary budget of 50,000,000 yen be added to its total. It is higher by 24 per cent than the budget of 1936-37, and by 120 per cent than it was before the Manchurian affair.

Ordinary revenue, however, has increased very little; for the nation was not considered able to carry a larger burden of taxation than it already had to shoulder before the armament expansion began. Dr. Eichi Baba, Finance Minister in the Hirota Cabinet, under which the existence of "a state of semiwar" won official recognition, had proposed sudden and enormous increases in all manner of taxation, but Mr. Yuki set aside these plans of his predecessor in favor of "temporary increases in individual and corporation income taxes and in levies on property, alcohol, sugar and gasoline." And, despite the increase in taxation, which causes so much uneasiness in business circles, the need for a further increase of the national debt will not be obviated. The annual issue of deficit bonds will amount to some 800,000,000 yen ($280,000,000, U.S. currency) and will have to cover 28 per cent of the state's expenditure—a proportion which, in recent times, has come to be

VISIT
AMOY & MANILA
Where Tropical Climes Reign Throughout The Year
by
The s. s. HAI HENG
Regular Sailings between the Two Cities Every 10 Days
For Particulars Please Apply To
China Merchants Steam Navigation Company, Limited
9 The Bund, Shanghai Tel: 11583-9
Amoy Branch Office:
367 Chung San Road, Amoy
Tel: 454
Manila Agents: Manila Steamship Co.,
802 Muelle De La Industria
Manila, P. I.
Tel: 2-30-10 & 2-27-92

GARGOYLE
Mobiloil
stands up
Mobiloil
A STANDARD-VACUUM PRODUCT

regarded as normal. This new issue of deficit bonds will finally bring the total of Japan's national debt to fully twice the figure it showed before the "Manchurian incident," when Japan was already considered to have a very heavy debt indeed. It amounted to 10,500,000,000 yen in October, 1936, and will rise to at least 12,000,000,000 yen by March 31, 1938.

It has already become somewhat difficult to place new deficit bonds, since Japan has practically no investing public in the western sense of the word, while the banks and savings institutions have taken up almost all they are able to absorb. The annual increase in deposits with all the financial institutions of the country—of which more than one third seems to be interest accruing from the exceedingly high deposit rates that are being paid—is hardly larger, at present, than the annual issue by the state of deficit bonds, for the placing of which it has to rely on such capital accumulation.

But industry, too, needs much more capital than it can put aside out of its armament profits for investment, as it is being urged to expand. And, finally, Manchukuo, backed up by its economic and financial adviser, the Japanese army, asks for tremendous amounts of investment capital, which it has recently found it almost impossible to get. "War economy" with regard to the capital market may require a greater measure of inflation, as well as of "state" control over all private investments, in order to prevent waste, to facilitate the placing of government bonds and to make possible the execution of important "national policies," which, however, have had to be shelved time and again in the face of strong opposition.

An increase in the country's total holdings of foreign exchange and gold seems to have been impossible in recent years, in spite of the blessing of greatly increased exports of goods "made in Japan." For imports have risen even more rapidly, and so have investments (partly of a doubtful economic value) in Manchukuo. The visible balance of trade deteriorated very much in 1936, and the year closed with an import surplus of about $144,000,000, to which the "invisible" balance of payments must have added a further deficit of something like $100,000,000, mainly on account of the heavy capital exports to Manchukuo. The pressure on the yen which ensued seems to have cost the Yokohama Specie Bank, the intervening semiofficial institution which controls Japan's foreign exchange, almost all of its allegedly rather meager reserves. The gold holdings of the Bank of Japan, though somewhat strengthened recently by an increase in the small gold production of the Japanese Empire, at present amount to hardly $270,000,000 gold. With the reserves in foreign exchange almost exhausted and the yen in acute danger of depreciation, at the beginning of 1937, the financial authorities had to take resort in import restrictions and the export of gold.

Nothing seems to have been done, however, to improve Japan's chances of getting foreign financial assistance in case of war. Just the contrary. Japan's foreign policy has been such that the United States and Britain, which may be considered the only potential lenders, have become increasingly critical of it, even though criticism may have been less audible than on the occasion of the "Manchurian incident." The "anti-Communist" pact with Germany appears to have given a new impetus to western suspicion toward Japan. On the other hand Japan cannot expect to receive any material assistance from Germany so far as her economic and financial needs are concerned. Only a short while after the conclusion of the pact, Germany asked Japan either to restrict her exports to Germany or else to buy more from her. Neither does the Japanese agreement with Italy with regard to the establishment of consulates in, and trade with, Ethiopia and Manchukuo respectively appear to hold out any great hope of material benefits. On the other hand it increased the feeling in democratic countries that Japan was definitely taking sides with the Fascist camp.

The advocates of "war economy" in Japan are realists. They do not seem to have any illusions about the likelihood of obtaining foreign help. They want to exploit the possibilities that offer themselves in Japan and in her own sphere of power much more than has been done in recent years. Optimists with regard to the potential results, they appear unafraid of the greatness of the stake involved. But what they demand ever more categorically in order to achieve their aim is complete power of the state over the economic life of the country. Here they have entirely failed so far.

But the military want more than what Big Business will do voluntarily for the growth of industrial capacity. They look to National Socialist Germany for the armament achievements of another "have-not" state that can at least command at home all that its fighting services desire—just as they look back to Imperial Germany for their lesson as to what fatal importance economic deficiencies can have in time of war. They have accepted—at least so it seems —the "state of semiwar" as a fact, and its rapid culmination in an actual "supreme emergency" as more than a probability. While they do not question these convictions, they want to bring about their logical consequence—the establishment of a totalitarian state.

As it was put in a War Office pamphlet, at the beginning of November, 1936:

". . . the situation is growing more and more in such a direction that, unless egoistic and individualistic institutions and liberal politics and administration are overhauled and the political orientation of the nation fundamentally changed, there can be no hope for advance of the national fortunes, prosperity and the happiness of the people. From the standpoint of national defense, administrative renovation is needed to rebuild the state on the basis of the Japanese spirit and in accordance with the requirements of modern armaments, permitting the establishment and the rational operation of a totalitarian system.

"In this sense, a state reorganized on a totalitarian basis has latent power in time of peace which would prove a decisive factor in an emergency. Thus administrative renovation, which is national defense in the broad sense, and adequacy in armaments form an inseparable unity. It is necessary that the people resolve to effect both, regardless of sacrifice."

Japan's Trade Balance Continues Heavily Unfavoroble

Japan's foreign trade balance remained "in the red" July 7 with the value of imports during the first ten days of July exceeding exports by Yen 42,756,000, according to a Ministry of Finance estimate. This brought the total unfavorable balance since January up to Yen 683,711,000.

Far outstripping other commodities, cotton goods led exports with Yen 14,729,000. Second came raw silk at Yen 8,798,000 and the third place was occupied by rayon with Yen 4,459,000. Total outward shipments were valued at Yen 83,979,000.

Raw cotton comprised the largest share of imports, with Yen 25,795,000 worth of it purchased during the ten-day period. Iron was a close second with Yen 25,272,000. Wool came third at Yen 8,040,000. Imports amounted to Yen 126,735,000, bringing the amount of foreign trade for the period of 210,714,000.

Sharp Japan-British Rivalry on Madras Shipping Route

The *Tokyo Yomiuri* July 6 stated that since the opening of the Japan-Madras line by the N. Y. K., the shipping rivalry between Japan and Britain has been steadily aggravated. With the situation extremely strained, the B. I. Steamship Company of England has decided to open a monthly service between Japan and Madras. The B. I. Steamers are scheduled to touch at Kobe, Hongkong, Singapore, and Madras.

Son of "Pearl King" Disappears Leaving Debts Amounting to Yen 1,000,000

The *Tokyo Yomiuri* July 7 stated that Ryuzo Mikimoto, son of Kokichi Mikimoto, world-famous "Pearl King," and noted Ruskin scholar, who had declined the career of a pearl industrialist and merchant in succeeding to his father's millions and had set his heart on the achievement of the ideals of the great English art critic and social reformer, disappeared towards the end of last month, leaving debts amounting to Yen 1,000,000 or thereabouts and suffering bankruptcy both in his fortune and ideals.

General Wu Te-chen Address Students at Sun Yat-sen University

"In the past we did not struggle hard enough for our national existence in a world whose philosophy is based on the theory of the survival of the fittest," declared General Wu Te-chen, Governor of Kwangtung, before a large gathering of professors and students at the National Sun Yat-sen University recently. General Wu was of the opinion that the Chinese people lost their creative ability because they failed to follow the right path in the field of education, and did not show enough determination to assimiliate the best aspects of Western culture during their early contacts with the Occident.

Holding the view that the Cantonese people still have a historic mission, as they have contributed so much toward the revolution whose primary aim is the modernization of China, Governor Wu Te-chen felt that in view of the rapid development of overland communications the position of the Southern metropolis will be still more important in the future. He exhorted his audience to do its part in building up a new Kwangtung so that the rest of the country may become sufficiently impressed to regard the province as a model for carrying out the idea of a national renaissance based on realities.

Toyo Calls in Part of Unpaid Capital—Will Expand Cotton Mill in Shanghai

Directors of the Toyo Cotton Spinning Company July 9 decided to call in Yen 7,500,000 of the concern's unpaid capital for the expansion of the Yu Fong cotton mill in Shanghai and mills in Tientsin, and for the erection of a rayon factory in Iwakuni, Yamaguchi Prefecture. The capital will have to be paid up by October 1. The President of the Yen 70,975,000 Tokyo Company and of the Yen 10,000,000 Yu Fong Mills is Mr. Fusajiro Abe.

Soviet Plane Makes Record Moscow-California Flight Via Pole

A Soviet plane, piloted by the Soviet air ace, Michael Gromov, took off from Moscow, July 12 for San Francisco, via the North Pole, in another effort to demonstrate the feasibility of a regular commercial airway between Soviet Russia and the American continent. The machine is a sistership of the A.N.T. 25, which flew from Moscow to America last month via the Pole. Prof. Otto Schmidt, leader of a recent Russian expedition to the North Pole, was among those who gathered at the airport to bid farewell to the fliers. M. Gromov is one of Soviet Russia's most distinguished aviators, and wears several high decorations.

Tass mentions that the A.N.T.-25 planes were designed and built at the Central Aero-Hydrodynamic Institute under the guidance of the famous airplane constructor Prof. A.N.Tupolev, P. O. Sukhoi being the designer of the planes. It is a cantilever monoplane with low wings. The elongation of the wing exceeds by 30% that of similar type airplanes built up to now. This elongation was made in order to obtain the utmost economy of fuel.

The Soviet plane passed over San Francisco, July 14, thus breaking the world's long distance record. It landed near San Diego.

Gen. Li Receives High Speed Plane from England

A high speed plane, ordered by Gen. Li Tsung-jen, commander-in-chief of the Fifth Route Army, from England, at a cost of £7,500, has arrived in Kweilin from London via Hongkong.

Japanese High Army Officer Injured in Plane Crash

Major-Gen. Kenjiro Nagasawa, Director of the Military Aviation School at Kumagai, was critically wounded in the crash at Fukushima, July 9, of a military plane in which he was a passenger. The machine was demolished and its pilot was seriously injured.

Boeing Aircraft Used in Britain's Coordinated Defense Program

Selected as a major participant in the Canadian Government's new $35,000,000 national defense program, Boeing Aircraft of Canada Limited, Vancouver, B. C., has been awarded a contract for the construction of eleven Blackburn "Shark" reconnaissance planes.

Announcement of the award by the Canadian Department of National Defence reflects the government's policy of building up its air force with home-manufactured equipment of British design, as part of the coordinated defense program embracing the entire British Empire. The planes will be built in Vancouver under license of The Blackburn Aircraft, Ltd., of Great Britain, and will be delivered to the Royal Canadian Air Force within two years.

One-Day Tokyo to Hsinking Air Service Opened

One-day air service between Tokyo and Hsinking became available July 12 on a daily basis three weeks earlier than scheduled. A Japan-built Douglas air line left Tokyo at 7.25 p.m. for Fukuoka, where it connected with the eastbound machine shortly after noon. After trading passengers, each craft turned back to Tokyo and Hsinking. This service connects at Seoul with a line running to Tientsin by way of Dairen.

Sixty-two Navy Planes Will Scour Pacific in Search for Amelia Earhart

The commander of the U.S.S. *Lexington* reported by wireless to Honolulu July 11 he expected to reach Howland Island shortly and as soon as possible thereafter would release the first of the giant aircraft carrier's 'planes to join the search for Mrs. Amelia Earhart Putnam and Capt. Fred Noonan. The U.S.S. *Colorado* meanwhile withdrew from the search and started for Honolulu.

If they are still alive, the fate of Mrs. Putnam and Capt. Noonan depends now on the *Lexington's* 62 planes, which are capable of covering an area of 60,000 sq. m. per day. Aviators from the U.S.S. *Colorado* roved over 66,000 sq. m. of desolate ocean without finding a trace of them.

Annual Conference of China Astronomical Association Held at Tsingtao

The 14th annual conference of the China Astronomical Association was held in Tsingtao, July 9 and 10, with more than 40 members in attendance. Admiral Sheng Hung-lieh, Mayor of Tsingtao, and representatives from various organizations also attended the annual meeting.

Reports on the work of the various Observatories were submitted. An address on the progress of astronomical science was delivered by Li Heng. A luncheon was given by Admiral Sheng Hung-lieh in honor of the scientists.

Ko Lu, former Director of the Nanking Observatory, was elected President, with Dr. Yu Ching-sung, Director of the National Astronomical Research Institute under the Academia Sinica, as Vice-President. Chen Tseng-hui was elected Secretary, and Messrs. Li Heng, Chu Wen-hsing and Chu Ku-cheng were elected members of the Deliberative Council.

WHEN you are "out of form"... at work or play... that is Nature's warning that constipation is sapping your energy.

Kellogg's ALL-BRAN is a natural food laxative. It supplies the "bulk" which most diets lack. Within the body the soft "bulk" of ALL-BRAN absorbs moisture and gently *sponges out* the system of wastes. Its Vitamin B and iron have a tonic effect and enrich the blood. Far better for you than pills and drugs.

had stolen half his game

Serve straight from the packet, with milk or cream and fruit. All you need is two tablespoonfuls a day to keep constipation away. In chronic cases eat it with every meal. All grocers sell it.

CONNELL BROS. CO. LTD.

P. O. Box 342, SHANGHAI

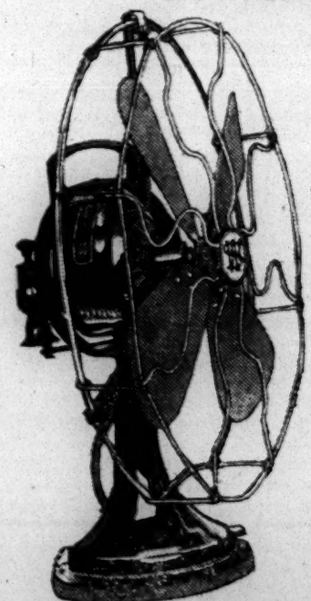
Kellogg's ALL-BRAN

the gentle, natural way to relieve

CONSTIPATION

714

A. C. 12 & 16-inch Rotamatic, Oscillating and Rotating Desk Fan



商標註冊

Different colors with special design, such as chrome, dark-blue, green, black, etc.

The best product, at the lowest price.

The fans are all economic in electric consumption and are guaranteed for ten years.

The ceiling fans and exhaust fans in different sizes are also

Obtainable from Department Stores, Local Electric Shops and Shanghai Power Company Show Rooms.

Wahson Electric Manufacturing Company, Limited

513 FOKIEN ROAD

Tel. 95750 exchange to all depts.

Cable "WAHSON" SHANGHAI

Soviet Union Wrestles With Trotzkyism

BY VERA MICHELES DEAN

(In Foreign Policy Bulletin, N.Y. May 28)

MASS arrests and executions reported last week from widely separated regions of the Soviet Union reveal the state of nervous apprehension created by the suspicion that Trotzkyist "wreckers" are seeking to undermine the country's economic system. As predicted by foreign observers, the Moscow trials of August 1936 and January 1937 were merely the opening gun in a far-reaching campaign to exterminate all persons suspected of treasonable activities.

On March 3, in a speech to the Central Committee of the Communist party, Stalin warned the population to beware of Trotzkyists and spies in the employ of capitalist countries hostile to the Soviet Union. Two days later Bukharin and Rykov, former leaders of the Right opposition, were charged by the Central Committee with anti-party activities and expelled from the party. On April 3 Henry G. Yagoda, erstwhile head of the OGPU—who had already been demoted to the office of Commissar of Communications—was dismissed on charges of embezzling public funds. On May 11 Marshal Tukhachevsky, Vice-Commissar of War, was removed from his post and appointed commander of the relatively unimportant Volga military district. On May 16 all but one of the members of the Central Trade Union Council secretariat were dismissed as "enemies of the people." On May 20 it was reported that 44 persons had been shot on charges of acting as agents of the Japanese on the Trans-Siberian Railway; while 20 others were executed in Tiflis as "Trotzky-Fascist terrorists who aimed at the establishment of an independent republic under the protection of a certain capitalist power." Wholesale arrests were made among engineers and technicians, notably in the Donetz Basin, where coal production has lagged behind the schedules set by the second Five-Year Plan.

Alarmed by this hunt for alleged Trotzkyists, factory directors and engineers hesitated to undertake any project involving the least possibility of risk, for fear they might be arrested in case of failure. The situation became so disturbing that on May 15 Andrei Vishinsky, Attorney-General of the U.S.S.R., who had acted as prosecutor in the Moscow trials, intervened to check the over-zealousness of local authorities. His intervention revealed the dilemma of the government which, having advertised the danger of Trotzkyism, cannot dismiss charges of sabotage without investigation, yet realizes that the prevailing hue and cry destroys the morale of honest executives and blocks the development of Soviet industry. While continuing to prosecute alleged wreckers, the Stalin government is now seeking to remedy the major difficulties revealed by the Moscow trials—industrial maladjustment and party bureaucracy.

The trials had disclosed an appalling picture of disorganization, waste and inefficiency in the principal Soviet industries, which the government blamed on the wrecking activities of self-confessed Trotzkyists. Yet the execution of opposition leaders did not check disorganization or prevent a slump in Soviet production of coal, oil and non-ferrous metals. This would lead one to assume either that opposition to the government is more widespread and virulent than was originally admitted, or that industrial inefficiency is due not merely to sabotage, but to fundamental flaws in Soviet operation of planned economy. That the latter assumption may not prove far from the truth is indicated by a speech made on May 8 by Valery Mezhlauk, Commissar of Heavy Industry, who urged substitution of small and manageable plants for mammoth enterprises, and suggested partial revision of Soviet emphasis on Stakhanovism.

It had also been argued during the January trial, notably by Radek, that absence of democracy within the party left dissident party members no choice except resort to underground opposition activities. The validity of this criticism was tacitly admitted on March 5, when the Central Committee of the party announced its intention to eradicate the evils of party bureaucracy. All party officials—with the exception of the Central Committee, whose members will continue to be appointed—must henceforth be freely elected by secret ballot and not, as had frequently happened in the past, appointed from above on grounds of favoritism or local political pull.

That the party, far from relaxing its hold, intends to strengthen it in anticipation of emergencies, is indicated by a decree of May 17, establishing supreme military councils in all military districts. Each council is to be composed of three members—the district's commanding officer and two civilians, presumably representing the party's views, who will check the work of their military colleague. Besides supervision over military affairs, the councils will have full responsibility for the political and moral condition of the army, and will direct its "merciless struggle" against espionage, sabotage and wrecking. This decree is apparently intended to minimize the danger that the army, which has doubled in size during the past four years, with a resulting dilution of the Communist element, might become a source of opposition to the government. At the same time it increases civilian control over the army—a development which was opposed by Tukhachevsky and may have been one of the causes of his downfall.

The campaign against Trotzkyism offers a striking illustration of the often bewildering course followed by the Soviet government, which today denounces opponents of its policies as wreckers and traitors, and tomorrow acknowledges the truth of their criticisms by incorporating opposition suggestions in its official program, which it then becomes treasonable to question or criticize.

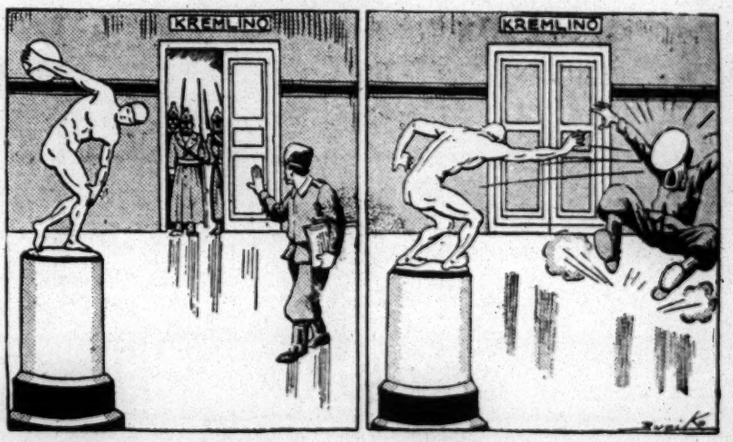
Why the Soviets Frantically Hunt for Trotskyites

(The New Republic, June 22)

Leon Trotsky has made a public statement describing the activities of the Fourth, or Trotskyist, International. It has, he says, "tens of thousands" of members, in thirty countries. He himself holds no official position; its activities are guided by a secret bureau of ten or twelve persons. He denies the charge made by "Augur" in *The New York Times* of May 5, that the gold reserve of the Spanish government is being used to support the Fourth International's activities. On the contrary, he insists that the Spanish loyalists are Stalinists; while there is a branch of the Fourth International in Spain, it is only two or three months old, and "must as yet be very small." The "Trotskyists" are working with great vigor, he says, in all the countries with fascist or reactionary governments. Declaring that the Third International and the present government of the U.S.S.R. have betrayed the world revolution, he expressed the hope, according to the *Associated Press*, that both the government and the International allied with it will be destroyed by the new group. If Trotsky's statement has been reported correctly, it casts a new light on the Moscow trials and helps to explain the frantic hunt for Trotskyites in Russia.

IT'S A TERRIBLE LIFE!

(Il 420 Florence)



"No, my friends, you may leave me here. I feel safe here."

"Ah, plotters everywhere!"

Reduction Granted on Passport Visas for Transient Visitors

Beginning from July 1, the transit visa fee for passports of nationals of countries with which China maintains treaty relations have been reduced to $3. Non-treaty foreigners or foreigners without nationality, however, continue to pay the original fee of $10.

This reduction was the result of a request made to the Ministry of Foreign Affairs by the Greater Shanghai Municipal Government. The Ministry has in addition, announced the following two measures for enforcement:—

1.—Any national of a Treaty Power wishing to pass through China en route to another country should first obtain a visa for entry from the Consul of the country to which he is going and then apply to the Chinese Embassy or Consulate concerned for transit visa. However, if his destination is his own country or if, for other reasons, it is not necessary for him to obtain a visa for entering the country, he may prove, by one of the following two methods, that he is really passing through China en route to another country: a.—He shall submit his steamship ticket or train ticket for inspection. b.—He shall produce a document from the local organ of his own country or Consulate proving that he is only passing through China.

2.—Foreigners passing through China and waiting for steamers or trains in Chinese territory must not stay longer than thirty days.

Britain Lays Foundation for Strong Friendship With China

BY C. Y. McDANIEL

Associated Press Correspondent, Nanking

While military men are converting Hongkong from a vulnerable target into a modern fortress, British diplomats and colonial officials are laying the foundation of a strong British friendship with China.

The activity is a recent development.

The barren, unhealthy and almost uninhabited island that was ceded to Great Britain in 1841 had been transformed into a commercial metropolis and world port. For three-quarters of a century Britain considered this colony off the South China coast safe.

Its defences were impressive enough to make troubles China think twice before casting covetous glances at the island. It was remote from any nation that might have had aggressive designs against it.

And for two decades the Anglo-Japanese alliance gave British interests in the Orient the potential benefit of powerful naval protection.

Hongkong sat tight and waxed fat.

But in the late 1920's Hongkong's security was badly shaken. The Anglo-Japanese alliance had lapsed. China was shaking off its inferiority complex. Aerial development had brought the island within bombing distance of several possible enemies.

Circumstances encouraged the belief that Hongkong would have to be abandoned if a major conflagration broke out in the East.

Map shows Hongkong and Singapore, two strategic British fortified points in the Far East, with Hainan and the Paracel islands, where Britain hopes to have friendly influence, lying between.

Encouragement

Then Britain's success in fortifying Singapore prompted a policy of making Hongkong self-protective. A decision to push the plan was grounded on a double expectation—first, that China would not use the South Asia mainland as a base for operations against the crown colony and, second, that China could prevent any third party from so using it.

On the island and on leased territory on the adjacent mainland a base of operations for the Royal Air Force is being erected. The permanent garrison is being increased from four to six battalions.

British authorities have denied reports that money and technical assistance have been offered to China for the development of Hainan, a large island 300 miles south of Hongkong.

But British military men do not deny that the opening up and eventual fortification of the island by a friendly China would strengthen the Singapore-Hongkong line of empire defence materially.

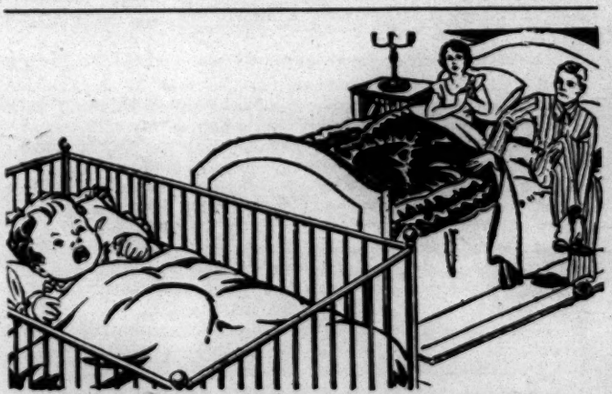
The strategic position of Hainan off the coast of southern Asia was recognized in 1897, when France obtained China's assurance that the island never would be ceded to a foreign power.

Further to insure friendly control over the British empire's life line to the Far East, Chinese opinion is being sounded out on the possibility of British or Sino-British development of the Paracel islands, 200 miles south-east of Hainan, as a refueling base for flying ships on the Imperial Airways route to Hongkong.

Establishment of British interests in these Chinese islands not only would bind Britain and China closer in the common cause of trade in peace times, but also, in the event of war, would prevent the Paracels from being used as bases for air attacks on Singapore and Hongkong.

OLINSOL
亞林沙而
海上五洲藥房發行

殺滅毒菌衛生要品
AN IDEAL DISINFECTANT
INTERNATIONAL DISPENSARY
COR. FOOCHOW & HONAN ROADS
SHANGHAI



Teething-Time Trials.

Baby's Own Tablets Bring Relief For Baby And Peace For Parents.

Fortunate indeed is the child who cuts his teeth without discomfort or pain. For many it is a time of great trial, as it is for the parents, too, who are deprived of sleep by the little ones' cries.

At this time, Baby's Own Tablets will be found of great assistance as they correct the origin of the trouble which lies in nerve irritation. This nerve irritation extends sometimes to every part of the nervous system and this is why teething troubles seem to cover such a large range of disorders. Baby's Own Tablets neutralize the nerve poison, soothe the inflammation, relieve the pain, and promote sound, healthful sleep.

Baby's Own Tablets have a mild laxative action, they dispel constipation, check vomiting, diarrhoea, and colic, correct indigestion, allay feverishness, expel worms.

A medical child-specialist's prescription, they are a safe and effective health corrective for children of all ages. From chemists everywhere.

Both Jews and Arabs Disappointed With Palestine Scheme

A telegram from Jerusalem, July 9 stated that both Arabs and Jews express the keenest disappointment over the Palestine Commission's report, which recommends the partitioning of the country into an Arab state, a Jewish state and an enclave under British Mandate. A manifesto declaring that the Jewish state was being created from the most fertile part of the country was issued by the Arab Higher Committee, which called on Arabs to adhere to the Nationalist program and to maintain self-restraint.

The Secretariat of the League of Nations July 9 received from the British Government the Report of the Royal Commission on Palestine, with a request for steps to be taken to authorize the Permanent Mandates Commission to discuss the proposed modifications to the Mandate on July 30. Members of the Council were consequently asked to notify, by July 15, whether they agree that the Mandates Commission shall be asked to give a provisional expression of opinion, without prejudice to the question being referred back to the Commission after the meeting of the Council in September.

Emir of Transjordania Agrees to Partition

The Emir Abdullah of Transjordania, interviewed in Jerusalem July 9 regarding the recommendations of the Royal Commission on Palestine, said that they provided the best solution which could be adopted, considering the circumstances of the country. The Emir is one of the four Arab kings, the other three being Ibn Saud of the Hedjaz and Nejd, King Ghazi of Iraq and the Imam of Yemen.

Influential Egyptians Oppose Palestine Plan

The Palestine Defence Committee, to which a number of influential Egyptians belong, issued a declaration July 12 containing eight arguments against the proposed partition of Palestine. The Committee's arguments are that the whole Palestine question is at present the most important problem for the Islamic world; all proposals of the Royal Commission must be rejected; the foundation of a Jewish national state would be "a thorn in the heart of the proposed new Arab state"; full independence should be granted to Palestine Arabs, whether Mussulman or Christian; that Jewish immigration into Palestine should be prohibited; Palestine Jews should be treated as a minority in accordance with the League Covenant and customs prevailing in civilized countries; indignation is voiced at the intolerable situation created, and protest raised against the threat to realize the partition by force if necessary; that Britain assume the sole responsibility for the old and new policy pursued towards Palestine Arabs.

Palestine Partitioning Scheme Meets With Opposition

Both the Iraq Government and the Emir of Koweit have expressed their opposition to the partitioning of Palestine, as recommended in the Royal Commission's Report, in reply to a cable of the Arab Higher Committee calling on them, "in the name of God and religion," to intervene against the proposed action.

An intimation that the Iraq Government would make an official protest to the British Government against the proposed partitioning of Palestine was received in Jerusalem July 11 by the Committee from the Premier of Iraq, Seyyid Hikmat Suleiman.

Iraq, the Arab Prime Minister declared in the course of his message, was opposed to the scheme and would help the Arabs in Palestine to secure their full national demands.

A message in similar terms was received from the Emir of Koweit.

An Arab delegation of five members, lead by Auni Bey Abdul Hadi, leader of the Isiaklalist Independents, who seek an autonomous Palestine within a wide Arab federation, will visit Geneva, in August.

Arabs in Jerusalem it is stated, are threatening to organize an anti- British boycott from the Mediterranean to the Indian Ocean if the partition is completed.

The debate in the House of Commons on the Report of the Royal Commission on Palestine, will take place on July 20, on the Colonial Office vote.

Present indications are that a majority of the members of the House of Commons will support the plan for the partition of Palestine as being the only practicable solution of the problem.

Informed quarters in Jerusalem July 7, said a proclamation signed by 150 mullas threatened every Mussulman with excommunication who signs a treaty providing for partition of Palestine. This is in reality believed to be the work of the Grand Mufti of Jerusalem and is directed solely against Emir Abdullah of Transjordania who favors partition under certain conditions and whose eventual accession to the throne of the new Arab state would signify the end of the Grand Mufti's influence.

Britain to Retain 14-Inch Gun

The London *Times* July 12 stated that Great Britain is unlikely to follow the example of the United States by using 16-inch guns in the construction of her new battleships. There are two factors which may operate against the increase inaugurated by the United States, the journal's naval correspondent said. In the first place it is the technical opinion of certain quarters that 14-inch guns are the largest that can be efficiently carried by a ship of 35,000 tons. In the second place, war experience, as exemplified by the battle of Jutland, may be interpreted as showing that the advantage is not always to the largest gun.

America's New Battleships will Carry 16-Inch Guns

The U. S. State Department announced July 10 that, owing to other governments' declining to give assurances to maintain a limit of 14 inches for guns on capital ships, America's two new battleships will carry 16-inch guns. The two new vessels will be constructed in the Government yards at New York and Philadelphia because the bids of private shipyards were excessively beyond the estimates submitted by Government navy yards.

Strike at Youngstown Tube Works Comes to an End Following Agreement with S.W.O.C.

The Governor of Indiana, Clifford Townsend, announced July 11 that an agreement had been reached between the Steel Workers' Organizing Committee and the Youngstown Sheet and Tube Company, and that the strikers would return to work on Monday morning in the East and South Chicago plants. The East Chicago plant employs approximately 7,000 men and the South Chicago plant 700.

Terrific Heat in the U.S. Causes 110 Deaths and Thousands of Prostrations

The mercury rose to new record heights in many localities in the United States July 10 along with a sweltering heat wave, responsible for 110 deaths and thousands of cases of prostration. The heat was so terrific that it delayed traffic by expanding railway bridges.

U. S. Government to Participate in 1939 World Fair

President Roosevelt signed a bill July 10 authorising Government participation in the New York World fair in 1939. The measure authorises the appropriation of $3,000,000.

Japanese Penetration in Philippines Not Alarming, Says I.F.R. Writer

Despite the conviction of many foreign observers that the independence of the Philippines will inevitably result in control by Japan, there are no particularly alarming evidences of Japanese penetration, according to a survey by the Institute of Foreign Relations. Two specific reasons are given by the Institute for minimizing the possibilities of Japanese desire to dominate, either by economic penetration or actual possession, the present Philippine Commonwealth once it has become entirely free and independent of American protection, states *United Press*. The first of these lies in the domestic situation at home. In all three of her previous efforts to solve her various needs by foreign adventure, Korea, Taiwan and Manchuria, Japan has still failed to find the pot of gold at the end of the rainbow that is necessary to her needs.

As a consequence, the enormous expenses necessary to maintain herself on the Asiatic mainland together with the marked insecurity of her position there has caused such discontent at home, and unrest within the empire itself, that any large-scale encroachment, either economic or military, upon a newly independent Philippines, would, the Institute believes, find little support at home.

In the second place, while there exist in the Philippines certain mineral resources in which the Japanese are necessarily interested, nevertheless, the raw materials of which Japan has the greatest need, especially petroleum, raw cotton and wool, are lacking there. In other words, the great resources of the Islands are largely agricultural, as in the case of Japan herself, and, therefore, do not present a vital interest to Japan.

The Institute believes that if the Philippines had been granted their independence ten years ago, it is entirely conceivable that Japan would have made her great venture there under the auspices of the Navy instead of in Manchuria under the control of the Army, but the latter has already involved Japan to such an extent that a second venture is considered unlikely.

In addition, the Institute points out, that in the event of the complete withdrawal of the United States from the Philippines, the vital interests of Great Britain in the Pacific are such that it is unlikely she would tolerate any serious Japanese penetration or domination of the Islands.

The Institute believes, however, that the greatest obstacle to any such move still lies within Japan herself, due to the unrest and unfavorable economic, labor and financial conditions that have been brought about by the Manchurian adventure.

Three Germans Executed in Berlin for Participating in Riot in 1931

Three Germans were executed in Berlin July 8 on a charge of murder and rioting in connection with a Communist raid on the Nazi stronghold in Berlin in October, 1931. The executed men were Waldemar Schulz, Paul Zimmerman and Bruno Schaefer.

China Decides to Withdraw from Tokyo Educational Congress

A resolution urging Chinese educational organizations not to participate in the World Educational Congress to be held in Tokyo next month was adopted at the first plenary session of the fourth annual convention of the Chinese Educational Association held at the National Normal University in Peiping, July 8. The meeting also decided to issue a manifesto explaining why Chinese educational bodies have been compelled to withdraw from the Congress. A committee of five, consisting of Dr. Hu Shih, Shen Li, Dr. Chiu Tsun, Chang Tao-tze and Huang Tze-chien, was appointed to draft the manifesto.

According to Chinese educators, the decision was reached with the utmost regret. China was prepared to participate and had already appointed a delegation of nineteen educators, but, "to the surprise of the Chinese educational authorities, the Japanese chairman of the preparatory committee decided, at the last moment, to admit Manchukuo delegates."

Reiteration of their determination to "boycott" the forthcoming World Educational Congress to be held in Tokyo if "Manchukuo" delegates are permitted to attend, was made in Kuling, July 7 by several well-known Chinese educators gathered there for the "summer conversations."

General Chiang Makes Contribution to Hu Han-min Memorial Fund

General Chiang Kai-shek has made a personal contribution of $10,000 towards the Foundation Fund of the proposed Han-Min College, to be established in memory of the late Hu Han-min, former Chairman of the Standing Committee of the C.E.C.

University Professors and Civic Leaders Gather at Kuling for Discussion

In response to the joint invitation of Wang Ching-wei and General Chiang Kai-shek, more than a hundred university professors and civic leaders from various parts of the country arrived in Kuling this week, for a series of group discussions on various educational, economic and political topics. The meetings are not to be held in the form of a conference, but are in the nature of a free and informal exchange of views.

Gen. Chiang's Interest in Rural Welfare Endorsed by Students

A telegram, expressing their endorsement of Gen. Chiang Kai-shek's promotion of rural welfare service undertaken by students during the summer vacation, was sent to the Generalissimo by conferees of the China Agricultural Society meeting at Hankow. A decision to launch a campaign to raise $200,000 as a foundation fund for the society to be used for rural research work was also reached at the meeting.

Dr. Arthur N. Young Made Doctor of Laws by Occidental College, Los Angeles

Dr. Arthur N. Young, Financial Adviser to the Chinese Government, has been awarded the honorary degree of Doctor of Laws by his alma mater, Occidental College, Los Angeles, in connection with the celebration of the college's 50th anniversary this year. This degree has been conferred in recognition of distinguished public services, and particularly for his part in the rehabilitation of China's monetary and fiscal system.

Since Dr. Young could not receive the degree in person at the college, President Bird and the Trustees delegated Dr. Osgood Hardy, Professor of History in the college, who is now visiting Shanghai, to confer the degree, which he has now done.

Dr. Young, before coming to China in 1929, had been Economic Adviser to the U.S. Department of State, and had attended financial and economic conferences in Europe as a representative of the American Government. Also he had served as Financial Adviser to the Governments of Mexico and Honduras.

After graduating from Occidental College, Dr. Young was a graduate student in finance at Princeton University and in law at George Washington University.

Nanking Government Pushes Program for Compulsory Military Service

An intensive publicity campaign is being carried on in Nanking in connection with the nation-wide conscription program which is to be inaugurated this summer with the compulsory registration of all able-bodied males between the ages of 20 and 25. Special efforts are being made by the authorities to combat this prejudice, and at local cinemas lantern slides are flashed on the screen proclaiming such slogans as: "It is an Unusual Honor to be a Soldier"; "It is the Duty of Every Male Citizen to Perform Military Service"; "If We Want to Save Our Country We Must Join the Fighting Service." *Reuters* says preparations are being made to employ sterner methods to enforce observance of the new conscription law. Prison sentences up to seven years will be meted out to those who evade military service.

In the United States Court for China

In re.
LAST WILL AND TESTAMENT
of
MINNIE OVIATT,
Deceased.

Cause No. 4221
Special Proceedings No. 2100
NOTICE
Filed at Shanghai, China, June 28, 1937.
WILLIAM T. COLLINS, Clerk.

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the estate of Minnie Oviatt, deceased, to present the same with vouchers to the undersigned on or before January 3, 1938, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

Nelson E. Lurton,
Administrator Ad Colligendum,
330 Szechuen Road,
Shanghai, China.

Shanghai, China.

In the United States Court for China

In re.
ESTATE
of
MONTE VALENTINE SULLAWAY
Deceased.

Cause No. 4222
Special Proceedings No. 2101
NOTICE
Filed at Shanghai, China, June 30, 1937.
William T. Collins, Clerk.

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the estate of Monte Valentine Sullaway, deceased, to present the same with vouchers to the undersigned on or before January 3, 1938, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

Roy G. Allman,
Hamilton House,
Shanghai, China.

Shanghai, China, June 30, 1937.

Military Notes from Kaifeng

(By The Review's Correspondent)

General Liu Chih, Pacification Commissioner for Honan and Anhui, and concurrently chairman of the Military Affairs Reorganization Commission of the Central China three provinces, recently published an open letter to the troops (rather should it be said, the former North-Eastern Army), stationed in Honan, Anhui, and Kiangsu, containing the following five points; (1) Support the Central Government and obey the national leader; (2) Unify the military administrations and orders; (3) Support the principle of the peaceful unification and break down with the feudal sectionalism, (4) Respect the discipline of the nation; and (5) Believe in the Three Principles of the People, seek advanced knowledge,and try to strengthen your personality.

Gen. Liu Chih

Former North-Eastern Army Inspected

Acting on the decision of the Military Re-organization Affairs Commission, of the Three Central China provinces, adopted at the beginning of June, the Pacification Headquarters for Honan and Anhui middle of June sent Chang Chien-hua and Mao Chien-wu to inspect the administration conditions and military training of the former North-Eastern Army, now stationed in Honan, Anhui, and Kiangsu, They are expected to be back very soon.

At the end of last month, General Hu Peh-han, chief aid de-camp of the Pacification Headquarters for Honan and Anhui, departed from Kaifeng to inspect the North-Eastern army, stationed in the Honan province. He returned to the city July 7, accompanied by General Ho Kwei, commander of the 109th division.

General Li Shi-su, chief inspecter of the Third Army, accompanied by General Tseng Wan-chung, commandant of the Third Army, inspected the 7th division, at Chengchow on July 6. He will continue his inspection of the Third Army, now stationed along the Lunghai line, from Kaifeng to Chengchow.

General Wang Ching-tsai, commandant of the newly-reorganized 35th division, arrived in Kaifeng at the beginning of the current month, and after reporting the military conditions to General Liu Chih returned to his garrison field, at Ch'i Hsien, 90 li east of Kaifeng, July 7.

Statue to Former Yunnan Governor Unveiled in Kunming (Yunnanfu)

A bronze statue of the late General Tang Chi-yao, former Military Governor of Yunnan, was unveiled at the Takuan Park in Kunming (Yunnanfu), July 10.

Over 3,000 officials and civic representatives were present. General Lung Yun, Chairman of the Yunnan Provincial Government, in dedicating the statue, said that it was erected to perpetuate the memory of one of the ablest rulers of Yunnan. He read eulogies from President Lin Sen, General Chiang Kai-shek, President of the Military Affairs Commission, and Wang Ching-wei, Chairman of the Central Political Committee.

At the time of his death in 1927, the late General Tang was only 45 years of age, but had already devoted 20 years of service to the State. The statue was ordered from Italy and the expense was provided by contributions from the people of Yunnan.

Japan Insists Upon Dismissal of Swatow Mayor

The Japanese Consul-General in Canton called on Philip Tyau, special foreign affairs commissioner for Kwangtung and Kwangsi provinces, July 6. The Japanese authorities are insisting upon the dismissal of the police chief of Swatow as part of the settlement of the Swatow incident. This request was again refused by the Chinese authorities. It is generally believed, said the *Ta Mei Wan Pao* July 6, that no settlement of the Swatow incident will be reached for some time.

The Nation's Problems Were Solved But the Emperor Was Still Puzzled

(Coronet, June, 1937)

The Emperor of China had withdrawn to the Pagoda of Crisis, to meditate upon the woes of his land. He summoned his Prime Minister, the illustrious Wang, and said to him:

"The cries of the peasants and the merchants fill my ears, for the peasants cannot sell their rice, and the merchants cannot sell their silks. And yet, entire provinces are dying of hunger, for lack of rice, while women go half-naked, for lack of clothes. How has this come about?"

And Wang said, "How can this miserable creature respond to such a question, when the Son of Heaven himself can but propound it? May I remind him, that in the Temple of Finance the Emperor maintains his mandarins, who have made this matter the subject of their constant study. I shall inquire of them."

A few days later, the Prime Minister once more appeared before the Emperor.

"The mandarins," he said, "declare that all these troubles are due to the fact that the harvests of rice and of silk have, for several years, been far too abundant. While China has grown in riches, the number of silver taels in the land has remained the same; and therefore his Majesty's subjects are unable to purchase the necessities which lie rotting in the warehouse."

"And what," asked the Emperor, "do the mandarins of the Temple of Finance suggest to be done?"

"Their counsel," replied the Prime Minister, "is that an Imperial Decree be issued, reducing the prices of all merchandise, and also reducing all wages, so that a new equilibrium may be established."

"Will they also reduce their own salaries?" inquired the Emperor. "Their own, as everyone else's," said Wang.

"So be it!" the Emperor proclaimed.

After six months of this experiment, during which all China went from bad to worse, the Emperor dismissed the illustrious Wang, appointed the illustrious Chou as Prime Minister, and withdrew to the Pagoda of Despair, to meditate upon the woes of his land.

Said the Emperor to the Prime Minister, "We have reduced prices and wages; nevertheless, the people were never in greater misery. How can this be?"

And Chou replied, "How can a miserable worm comprehend that which puzzles even the Son of Heaven? But, in the name of the Emperor, I shall place this problem before the mandarins in the Temple of Finance."

A few days later, Chou reappeared before the Emperor.

"The mandarins," he said, "declare that all these troubles are due to the fact that prices are too low to permit the peasants and the merchants to earn a living. Their counsel is that an Imperial Decree be issued, diminishing the silver content of the tael. Thus, they say, the number of taels shall be increased; prices and wages will mount, and soon a new equilibrium will be established."

"Is not this," the Emperor said, "quite contrary to the advice which they gave Wang, not so long ago?"

"Certainly," responded Chou, "But since the first of these two policies led his predecessor to ruin, your Majesty's humble servant cannot but praise this development in the understanding and acumen of the mandarinate."

"So be it!" said the Emperor.

The new policy was tried, and to the secret astonishment of the mandarins and of the Prime Minister, the cries of the people diminished. The Emperor, having retired to the Pagoda of Calm, summoned unto himself the Sage whose name was No.

"The actual produce of the land is the same," the Emperor said, "and the actual of silver is the same; all that has been changed is the name of the tael; and yet, things are going miracle?"

"May the Emperor recall," the Sage said, "that human nature will always be human nature."

"That expression," responded the Emperor, "seems clear enough, and yet it is obscure."

"Man," continued the Sage, "spends in a rising market, and hoards in a falling market. The gods have made him so."

It was during that time that the Emperor retired to the Pagoda of Prosperity.

ANDRE MAUROIS

Chinese Committee for Boycott Movement Against Smuggled Goods Continues Active

The Chinese Committee for the Boycott Movement against Smuggled Goods, which has ostensibly encouraged the use of Chinese native goods but, in fact, incited anti-Japanese thought and sentiment among the Chinese people, has recently issued a manifesto, addressed to the Chinese people. This Committee has augmented its publicity activities by pasting posters in the local cinemas and utilizing the moving picture as a medium of propaganda. According to the *Shanghai Mainichi*, the S.M.C. authorities issued notifications to various local theatre houses July 1 ordering them not to put such propaganda films on show.

Huge Credit Offered to Manchukuo by German Machinery Companies

The Tokyo *Yomiuri* of July 6 stated that the leading machinery companies of Germany, including the two leaders, Otto Wolfe and Demalk, have offered the establishment of a Yen 120,000,000 credit to the Manchukuo Government in connection with the sale of different iron and steel machinery and tools from Germany to Manchukuo. Negotiations are now under way between the two parties concerned.

The details of the proposed Yen 120,000,000 credit follow:

1.—Settlement of accounts is to be made in six years with an annual installment of Yen 20,000,000.

2.—The State of Manchukuo is to purchase Yen 120,000,000 worth of iron and steel goods from the German machinery companies participating in the establishment of the present credit.

3.—The value of the Manchukuo's purchases in connection with the present credit is to be included in the official Manchukuo's import value stipulated in the Manchukuo-Germany trade agreement.

The *Asahi*, July 8 stated that Dr. Karl Knoll, German Trade Representative in Manchukuo, had been negotiating with the Manchukuo Goverоment in connection with the establishment of a credit not exceeding Yen 100,000,000 for Manchukuo through Otto Wolfe of Germany for Manchukuo industrialists and miners with the object of promoting German-Manchukuo foreign trade. The Manchukuo Government, on June 30 and July 7, invited Dr. Knoll and Herr Redrich, director of the Far Eastern Division of the Wolfe Company and Herr Shainholt, chief of the Dairen Branch of the company, to exchange views on the German offer with the representatives of the Board of General Affairs, the Department of Economics, the Department of Industry and the Manchukuo Central Bank.

Manchukuo to Organize Gold Mining Company for Jehol

A special telegram from Hsinking to the *Tokyo Asahi* July 6 stated that Manchukuo has decided to establish the Jehol mining Co. to produce gold in Jehol. The capital will be Yen 1,000,000, contributed by the Manchukuo Gold Production Co., Yen 200,000; Mitsui, Yen 400,000; and the Manchukuo Government, Yen 400-,000. Mitsui is to have charge of the management. The actual start of production is expected to take place two or three years hence.

Manchuli Conference to Be Reopened This Month

The third Manchuli Conference, which had to be postponed owing to the return of the Outer Mongolian delegates, is expected to be held towards the end of this month if the Outer Mongolian delegates arrive at Manchuli on schedule, as they are to leave Ulanbator on July 20, according to the note of the Outer Mongolian Government to the Foreign Office of Manchukuo dated July 5.

Korean Revolutionary Leader Arrested in Shanghai

Chang Tze-chia, noted Korean revolutionary leader, was arrested by the Japanese Consular police in Shanghai last week. Together with his father, also a noted revolutionary leader who was arrested some time ago, Chang Tze-chia were sent back to Korea for punishment on July 7. Chang, who was graduated from the Communist University in Moscow spent a long time in Shanghai, organizing the Korean revolutionary party.

Chinese Cultural Groups Oppose S. M. C. Censorship Policy

A campaign was launched in Shanghai July 9 by Chinese cultural groups for the abrogation of the Shanghai Municipal Council's right to censor Chinese plays, songs and motion pictures. The objective of the campaign was explained at a tea reception given by the League of Shanghai Cultural Groups for the Abrogation of the S.M.C.'s Right to Censor Chinese Plays, Songs, and Motion Pictures, at the Shanghai Chinese Chamber of Commerce.

The reception was attended by over 60 representatives of the Chinese Motion Picture Producers' Guild, the Pan Club, the Chinese Dramatic Club, the Chinese Literary Association, the Dramatic Writers' Association, and the National Educational Motion Picture Association, and Chinese and foreign newspapermen.

Chow Chien-yun, who presided over the reception, stated that the Shanghai Municipal Council's censorship board has in recent years, especially since Sept. 18, 1931, adopted an inexplicably unfair attitude toward Chinese plays, songs and movies that have a "national salvation" angle.

Unreasonable deletions of captions, such as the Sept. 19 and Jan. 28 incidents, maps of the Northeastern Provinces, and national salvation songs, Mr. Chow said, have been made by the S.M.C. censors in various pictures and plays.

In practically every country in the world today, Mr. Chow emphasized, there is a centralized system of censorship, yet in China all Chinese pictures and plays, approved by the Central Censorship Board in Nanking, have to be submitted to the S.M.C. Censorship Board, for reconsideration.

CUSTOMS NOTIFICATION NO. 1584

The public is hereby notified that, in accordance with Government instructions effective from the 11th July 1937, when the application to artificial silk manufactures, pure or mixed, of the *ad valorem* duty rates specified under Import Tariff headings Nos. 137, 138 and 140 to 145 results in a lower duty than G. U. 126.00 per quintal, the latter specific rate will be applied.

CHU CHANG-NIEN,
Superintendent of Customs.

L. H. LAWFORD,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 8th July 1937.

THE NEW CHINA MONTHLY

A Chronicle of Views & News in true Chinese Light

Edited by Chinese Citizens

A Medium for study of Chinese problems and for advertisement

10 Cents per copy - $1.20 per year

Abroad U. S. $1.20 per year including postage

Send Your Order to the Following Address

THE NEW CHINA PUBLISHING ASSOCIATION

10 Chung Shih Ts'ao inside of Kan Mien Hutung, Hatamen St., Peiping.

DEMOCRACY

July 8, 1937

Feudal Days in China, *by Frederick Schultheis*

Life Begins at Fifty, *by Edgar Snow*

Half a Million Shylocks, *by Haldore Hanson*

Japan's Propaganda Machine in the North, *by Jonathon White*

The Student Movement before the Revolution, *by Chen Chung-p'eng*

Mexican Re-birth, *by Li An-che*

A Semi-Monthly

Forum of Public Opinion

Subscriptions Mex. $6 a year

7 Tung Tsung Pu Hutung Peiping, China

Soviets Will Not Recognize Manchukuo's Right to Amur Islets

A *Tass* message from Moscow July 9 stated that Maxim Litvinov, Commissar of Foreign Affairs, upon receipt of information regarding the appearance of a Japano-Manchurian military detachment approximately one company strong on the Island of Bolshoi on the Amur River, demanded explanations from the Japanese Embassy in Moscow. Not receiving a satisfactory answer, Mr. Litvinov invited the Japanese Ambassador, Mr. Shigemitsu, July 8, and told him that the conflict which a few days before threatened to break out in connection with the islands on the Amur River was averted thanks to the arrangement reached regarding the withdrawal by both sides of the armed forces stationed on these islands. The Soviet Government insisted on the simultanous withdrawal of the forces and on its part carried out the withdrawal on the basis of the official statement made by the Ambassador on July 2, that there were no longer an Japano-Manchurian armed forces near the islands.

In view of the repeated appearance of Japano-Manchurian troops on the islands, said Mr. Litvinov, there is a violation of the arrangement on the part of the Japano-Manchurian side, against which the Soviet Government resolutely protests.

M. Litvinov's demands added that the Soviet Government does not recognize, and will not recognize, the right of Manchuria to the islands, and, therefore, considers the presence there of Japano-Manchurian soldiers unlawful. If the Japanese Government, as the Ambassador assures, is really guided by a spirit of peace and strives to avoid conflicts, the Soviet Government expects the immediate withdrawal of the Japano-Manchurian troops stationed on the islands. The Ambassador's explanations with reference to the alleged belonging of the islands to Manchuria, and the plying of two or three Soviet cutters near the islands, was considered by Mr. Litvinov as unsatisfactory, and, supporting the arguments he brought forth, asked the Ambassador to convey to the Japanese Government his statement and protest.

Gaimusho Says No Soldiers on Amur Islets

There are no Japanese or Manchukuo troops on Sennuha and Bolshoi Islands on the Amur River, the Gaimusho announced in Tokyo, July 9 on the basis of official reports from Manchuria. The statement was issued as a denial of the Soviet allegation that Japanese forces had been landed on the two islets following the withdrawal of Soviet troops.

Soviet Pacific Fleet Commander Reported Arrested

The *Tokyo Asahi* July 6 said that according to information from Vladivostok on July 3 the Commander-in-Chief of the Soviet Pacific Fleet was reported to have been arrested as one of the victims of the purging operations of the Stalin regime.

No fewer than 176 persons perished in one week during the Soviet "purge" in the Far Eastern region of the country, the Conservative London *Morning Post* of July 10 stated.

The whole number were executed in the course of eight days. The arrest of Commander Hitroff of the Eastern Siberian Artillery Division and his transport to Moscow, the *Post* said, recently caused great excitement.

Japanese Fishermen Said Held in Kamchatka

Eight Japanese, comprising the crew of a 17-ton fishing smack *Kyoei Maru*, are standing trial in Petropavlovsk on charges of fishing in Soviet territorial waters, the Gaimusho was advised July 9. The ship, according to a report submitted by the Police Bureau of the Hokkaido Government, was seized by a Soviet cutter "off Shimu Island," in the Kuriles, on June 23,

Soviet Georgians Sentenced—Compatriots of Dictator Pay Supreme Penalty

Seven defendants, (Mdivani, Toroshelides, Okudshava, Kurulov, Tshichiadse, Eliava and Karzivades) were sentenced to death on the charge of treason and other grave political crimes by the special department of the Supreme Court of the Soviet Georgian Republic, in Tiflis July 12. The death sentences were carried out within 24 hours. Mdivani, who had been Soviet trade delegate in Paris and Teheran, had been appointed deputy chairman of the Council of People's Commissaries of the Georgian Soviet republic only in January, 1936. He was seriously incriminated by statements by Messrs. Radek and Piatakov during M. Radek's trial. All defendants with one exception were Georgians.

5,000-Ton Floating Dock Arrives Safely in Vladivostck

According to a report from Vladivostok, the 5,000-ton floating dock, which left Odessa in tow on April 9 arrived safely in Sovetskaya Gavan July 10.

U. S. State Department Issues Volume on Relations With Russia in 1919

Extensive records of discussions concerning Russia in the Supreme Council at the Paris Peace Conference, including reports of a number of conversations among President Wilson, David Lloyd George, Georges Clemenceau, Premier Vittorio Orlando of Italy, and Viscount Chinda of Japan, are contained in a volume of "Foreign Relations of the United Statss" covering Russia during the year 1919, issued by the U.S. State Department June 11.

Among the subjects concerning which information is revealed for the first time are the proposed 'Prinkipo conference; the mission to Russia of William C. Bullitt, now Ambassador to France; Dr. Fridtjof Nansen's proposal for relief in Russia; the interallied supervision of the Chinese Eastern and Siberian railways; the decision of the principal allied and associated powers to support Admiral Kolchak; and the Czechoslovak soldiers in Siberia.

In addition, new material is published concerning American efforts to avoid entanglement in factional strife and to maintain unity of policy with Japan in Eastern Siberia, where the A. E. F. under General Robert Graves faced difficult conditions, and the withdrawal of American and allied troops from Northern Russia.

At a meeting of the council on May 7 various aspects of the Russian revolution were considered with special reference to Admiral Kolchak, under whom some feared a powerful military Russia might develop. Lloyd George feared Russia's becoming imperial again more than he did its trend to bolshevism, while Clemenceau fleared both.

"President Wilson," the minutes reported, "said bolshevism must collapse, whereas an Imperial Russia might remain."

It was obvious from the report that the council felt that if Admiral Kolchak obtained control of all Russia with the aim of restoring imperialism, measures ought to be taken in the meantime to tie him down to a democratic program.

Much space is given to the mission of Mr. Bullitt to Russia, a mission that Henry White and General Tasker H. Bliss of the American peace delegation later protested was made without their knowledge.

One suggestion for solving the economic position of Russia was advanced by Herbert Hoover as Director General of Relief. After stating that "sooner of later the Bolshevik government will fall of its own weight or it will have swung sufficiently right to be absorbed in a properly representative government," he proposed an economic dictator, rather than an inter-allied commission, as an "economic mandatory, with the support of the other governments" to bring order out of chaos.

A previously unpublished note from the United States to Japan shows how strained relations had become between the two countries because of co-operation between them in Siberia. The note was sent on August 30, 1919 and served strong notice that the United States might withdraw her forces.

"The government of the United States," the note said, "is now confronted with the necessity of deciding after repeated and frank efforts to arrive at a mutual understanding of purpose as regards an international understanding, whether the only course practicable for the United States to pursue is an entire withdrawal from further efforts to co-operate in Siberia, to be followed, if need be, by a public statement of the reasons for such action, since it might be misunderstood if no explanation is made."

Nothing came of that pronouncement immediately, but in the following January the United States announced its intention to withdraw the American troops from Siberia.

International Exhibition of the Dance to Be Held in New York Nov. 29

An International Exhibition of the Dance will be held at Rockefeller Center, in New York City, beginning Nov. 29, 1937. The chief concern of the Art Committee is to perfect arrangements for an outstanding exhibition in the International Building of Paintings, Sculpture, Drawings, Lithographs and Etchings, as well as Art Books, Photographs and Films of the Dance, to be contributed by all the Races of the World. Each week will be devoted to honoring a group from the different countries and presenting the native dances by outstanding artists, and will be sponsored by these countries.

The last day for advance submission of photographs is Friday, Oct. 1, 1937 (earlier if possible), at the offices of the English Bookshop, 64 East 55th Street, New York City.

Last day for return of entry tags—Thursday, Oct. 21, 1937, at the offices of the English Bookshop, 64 East 55th Street, New York City.

Last two days for reception of exhibits—Monday, Nov. 22, 1937 and Tuesday, Nov. 23, 1937, International Building, Mezzanine Floor, Rockefeller Center, New York City.

Photographs, not to exceed 11" x 14", of all proposed exhibits must be submitted on or before Oct. 1, 1937, for acceptance by the Committee. Photographs received after Oct. 1, 1937, may be rejected, due to the limited wall and floor space, a part of which will be utilized for special features relating to the Dance International 1900-1937.

WHO'S WHO IN CHINA

Hsieh Chien, Government official; native of Yungchang, Szechwan; born at Kweiyang, Kweichow, 1884; first studied in Hupeh and later at Shanghai; participated in revolutionary activities against the Manchu government; because of persecution by the Manchus, he took refuge in Japan where he studied law at the Tokyo Imperial University and graduated with LL.B. degree in 1909; returning to China, he became a teacher at the High Police School in Peking and was conferred the degree of LL.M. by the Board of Education after having passed the Returned Students' examination; in 1910, he served in the Supreme Court and later went to Hupeh, where he established a law school and organised the Hankow District Procuratorate with himself serving as Procurator; soon after, he was transferred to be judge in the Criminal Division of the Hupeh High Court and Chief Procurator of the Wuchang Disrtict Procuratorate; following the occupation of Wuchang and Hankow by the revolutionary forces in 1911, he went to Shanghai to participate in the revolution there; while in Shanghai, he was appointed judge of the Judiciary Bureau and organised the Shanghai District Court with himself serving as President; he also initiated the organization of the Chinese Bar Association; after practising law for one year, he left Shanghai in 1914 for Hupeh where he was Commissioned to organise the branch court of the Hupeh High Court in Hsiangyang with himself serving as chief judge; between the years of 1915 and 1924 he served as magistrate of various districts in Hupeh and secretary and counsellor to the Civil Governor of Chekiang; in 1928 he was appointed senior secretary of the National Government in Nanking and was also invited to serve as member of the Examination and Selection Committee of the Examination Yuan; in 1932, he was appointed concurrently chief secretary of the Commission for Disciplinary Punishment of Public Functionaries by the National Government; in recent years he has also held the concurrent posts as secretary of the First People's Congress, member of the Examination Committee of the First and Third Civil Service Examinations, delegate to the 4th National Congress of Kuomintang; appointed Administrative Vice-Minister of Justice in December of 1934, which post he has since held; he is a Buddhist follower, being an executive member of several Buddhist organizations; address: Ministry of Justice, Nanking.

謝健字鑄陳
Hsieh Chien

謝健字鑄陳，現年五十四歲，四川榮昌縣人，清光緒九年，生於貴陽，十六年振威公統鄂水師，隨待讀書，兼習英文，二十八年赴申，就學於愛國學社，入學生軍，復創國民公會，任駐會幹事，蘇報案起，清廷飭拿愛國師生，歸鄂辦震亞書社，售革命書籍，以捕急亡命走日本，入東京日本大學，習法律，宣統元年卒業，得法律學士，返國任高等巡警學堂教員，學部留學生攷試及格，授法政科舉人，翌年覆試，以小京官分大理院，鄂督奏調留鄂辦學，創私立法政學校，任監督，開辦漢口地方檢察廳，任檢察官，調高等審判廳刑庭推事，武昌府地方檢察廳檢察長，兼法官養成所所長教務長，武漢光復，赴滬參加上海革命，任上海司法署裁判官，開辦上海地方審判廳，任庭長，兼任中華法政大學民國法律學校教授，創律師總公會，爲中國律師制之嚆矢，民國二年辭職充律師，三年以免試署知事分湖北，四年開辦襄陽高等分廳，任審判監督，旋奉委署光化縣知事，未到任，改調秭歸縣知事，九年應浙省調任省署諮議，兼機要秘書，十一年回黃陂本任，年餘辭去，十三年再回本任，十七年簡任國民政府秘書，考試院聘任考選委員會專門委員，二十一年簡派兼任國民政府政務官懲戒委員會主任秘書，歷年兼任國民會議選舉總所組長，國民會議秘書，考試覆核委員會委員，第一屆及第三屆，高等考試典試委員，臨時監獄官考試，及司法官再試典試委員，中央政治會議，行政法規整理委員會專門委員，中國國民黨第四次全國代表大會代表，二十三年十二月調任司法行政部常務次長，二十五年八月國民代表大會選舉總所聘任法令解釋委員會委員，夙信佛教，兼致力社會事業，通訊處：南京司法行政部

PAINTS AND PAINT WORK

H. B. CAMPBELL

1481 Bubbling Well Road

Phone : 34360

TOYO MURAKAMI

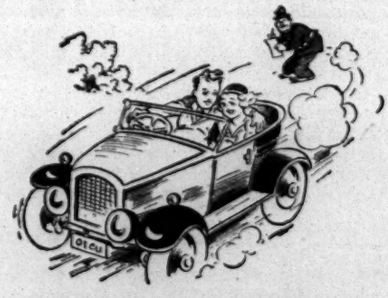
for SHIRTS

270 Kiangse Road
corner Ezra Road

A.B.C. PRESS, SHANGHAI

Printing
in all its Branches

Your work
should bear
our imprint



Asking For Trouble!

You are asking for trouble if you ignore rules and regulations and fail to obey danger signals. For instance, constipation, bilious attacks, liverishness, sick headaches are danger signals which can only be disregarded at the real risk of your health. To relieve congestion in the digestive tract, to stimulate the liver, to dispel sick-headaches and to banish biliousness nothing is better than Pinkettes.

Gentle yet thorough in action, these dainty laxative pilules help to purify the breath, brighten the eyes, and keep the skin free from blemishes. Chemists everywhere sell Pinkettes.

The National City Bank of New York, Rates of Exchange

Shanghai, July 14, 1937

Demand selling rate on America:	U.S. $1.00=Sh. $ 3.39
Demand buying rate on America:	U.S. $1.00=Sh. $ 3.38
Demand selling rate on London:	£1.0.0=Sh. $16.87
Demand buying rate on London:	£1.0.0=Sh. $16.80

Men and Events

Chen Shih-i, 82-year old poet, died in Foochow July 8 of hernia. The deceased had returned from a visit to Soochow only a few days previously.

Irving Levitas, graduate student at Chicago University and teacher in the Kansas City Community Center, arrived in Shanghai on an extensive tour of the Orient to collect material for a book.

By order of the Government, the Ministry of Industry has taken over the Cotton Control and Sericultural Improvement Commissions, which were formerly under the jurisdiction of the National Economic Council.

Dr. H. H. Hu, Director of the Fan Yuan Lien Memorial Biological Institute, Peiping, expects to sail for the United States on September 1 on the *President Lincoln*. He will spend about six months in America, later visiting Europe.

The *Lih Pao* of July 4 stated that the Sun Sun Company, one of the largest department stores in Shanghai, which was found two months ago selling smuggled goods, has paid a fine of $54,000 to the Customs authorities.

The French Community of Shanghai celebrated the Fourteenth of July (the anniversary of the fall of the Bastille) this year with the usual illuminations, reviews and parades. There were receptions both at the Cercle Francais and the Cercle Sportif Francais.

Wei Chu-hsien, Peiping's tallest man and ticket-collector at the Zoological Garden outside the Hsi Chih Men, who recently attempted to commit suicide by jumping into a well, is a patient in the Municipal Asylum in the former capital.

A *Kuo Min* message from Peiping July 10 stated that two Koreans, disguised as Chinese, entered the works of the Peiping Electric Power Company the previous morning with the object of sabotage. Fortunately they were discovered and arrested by the police.

After a two-weeks strike, the workers of the U. B. Brewery in Shanghai, returned to work July 12 under supervision of Chinese officials who served as mediators. Settlement Police were also on hand to supervise the workers but everything went on without a hitch.

Ending a three-month lecture tour of Japan, Miss Helen Keller, world-famous dumb, deaf and blind American authoress, departed from Japan the end of last week for Korea and Manchukuo. During her stay in Japan Miss Keller delivered 117 lectures in 33 cities and towns.

In an attempt to simplify for Chinese illiterates the mastery of Chinese characters, a phonetic system calling for the use of 37 easy symbols is being gradually introduced throughout the country. By the use of no more than three of these symbols, it is possible to represent any one of the 4000 characters in common use.

The death occurred of Charles James Brennan, United States vice-Consul in Chefoo, July 9 of heart trouble following a two-days' illness. Mr. Brennan was born in Massachusetts in 1904. He was appointed vice-Consul in 1929 and had served in that capacity in Amoy, Foochow, Dairen and Chefoo.

The Vegetarian Society of China, an organization comprising various nationalities, was formed at a meeting held at the Kundahling Vegetarian Restaurant, Park Road in Shanghai last week. A. A. Lebedeff reviewed the question of vegetarianism and proposed to the group that a society be organized to sponsor the movement.

Officers of the Nantao (Shanghai suburb) Police Bureau last week arrested two persons, one of them a woman suspected of being engaged in the slave trade. The arrests followed the detention of Chang Shi-dai, a 19-year girl from Wusih, the alleged victim of the traffickers in women, who was found circulating counterfeit bank notes.

Douglas Robertson, a China correspondent of the *New York Times* whose regular station is Peiping, returned to China this week. Mr. Robertson spent most of his three-months leave in his home city of Victoria, British Columbia, and in New York. He will stay here for some weeks before resuming his duties in Peiping.

The Hopei-Chahar Political Council issued an order July 7 instructing the Hopei Provincial Administration to repair the temple dedicated to Emperor Yao and also his mother's grave at Wangtu in South Hopei. Yao was one of the legendary emperors of ancient China. He was noted for his wisdom and sagacity.

The first dividend in five years was authorized at the annual meeting of S. Moutrie & Co. Ltd., held in Shanghai July 12, when a six percent payment was ordered. W. J. Isenman, chairman, reported that as regards the firm's principal line, pianos, sales last year were 466, as compared with 260 the year before, constituting the largest turnover in 13 years.

A scheme for smuggling Chinese into Australia, which is believed to have been carried on for some time, was recently detected by Customs officials, a dispatch from the Sydney correspondent of the *London Times* July 10 said. According to the Customs authorities, parties of a dozen Chinese are smuggled aboard steamers in Hongkong and hidden until they arrive at Geelong, where they are taken ashore secretly at night and conveyed in a motor-coach to a market gardening district near Sydney.

Dr. George Sellett, former U. S. District Attorney at Shanghai and now a practicing attorney and U. S. Court Liquidator for the Raven interests, departed on the C. N. A. C. plane for Hongkong on Tuesday of this week. From Hongkong Dr. Sellett will proceed to the United States by Pan American clipper plane. He plans to return to Shanghai in September.

Seven Chinese youths, several of them students, raised a disturbance in the Public Gardens in Shanghai during the band concert and were arrested July 9. They were kept in police cells over night and charged at the District Court in the morning. The judge admonished and then released them. The youths, as part of the demonstration, sang an anti-Japanese song.

Two British soldiers are reported to be confined in a Hongkong hospital to receive treatment for injuries sustained at the hands of four Negro seamen of the *President Grant* in a brawl during the night of July 9 in a cabaret in the Colony. According to an eye-witness, an American marine of the U.S.S. *Asheville*, the fight between the four Negroes and the four British soldiers took place at the Dreamland Dancing Academy over a dance hostess.

Four brigands were executed by shooting at Tien Chiao, Peiping July 8. One of the executed men was arrested outside the Tehshenmen on July 6 when he attempted to enter the city. He was tried by court-martial at the headquarters of the Pacification Commissioner of Hopei and Chahar and condemned to death. The other three executed were members of a gang who broke into the home of a Peiping resident last month.

An impressive ceremony for the laying of the corner-stone of the new building of the Legislative Yuan was held in Nanking, July 2. Sun Fo, President of the Legislative Yuan, officiated and delivered a brief address. The new building is being constructed in two stages. The auditorium of the Yuan will be completed before the end of this year, and the other part is to be ready by next summer. The construction expenses have been fixed by the Central authorities at $400,000. $140,000 has also been allotted for the purchase of the land.

Kuo Min says the Central Committee for the Preservation of Ancient Relics has decided to repair the mausoleums of the ancient emperors so as to preserve them as historic landmarks. Work will be started in Shensi, where are situated the mausoleums of five emperors of the Tang Dynasty (618-907 A.D.) two being in Kanchow, one in Lichuan, one in Kingyang and one in Sanyuan, southern Shensi. The mausoleums of other emperors in Pucheng and Fuping, southern Shensi, will also be repaired. The expenses are estimated at $100,000.

The Hsiakwan area (the river port for Nanking) will have a hospital for the poor in the near future, according to plans being drawn up by several organizations who are cooperating to make the project possible. Under the auspices of the Municipal Health Administration, the Nanking Branch of the New Life Movement Association, the Nanking Municipal Hospital, businessmen in the Hsiakwan area, and the Nanking Municipality's Seventh Area local administration, the sum of $13,735.40 has been raised for the erection of the clinic and hospital. Plans for the building itself have been completed and approved, and construction is expected to commence this month.

F. A. Jamieson, superintendent of the locomotive department of the Peiping-Liaoning Railway, wrote to the *North China Daily News* from Tientsin July 11, that the date of the first American-built locomotive to be imported into China was 1887, when a 2-6-2 shunting engine with 15 x 20 in. cylinders, 4 ft. drivers, makers' Number 1699 was obtained from a U. S. manufactuer named Paterson & Co. This locomotive was sold in 1907 to what was called the Kiang Su Railway. In 1897 the Peiping-Liaoning railway obtained twelve engines from the Baldwin Locomotive Co. Seven are still in service on the line, and three went to other lines, Mr. Jamieson added.

Miss Haeng Wong, 20-year-old Chinese girl, was graduated this month from Fenn College, Cleveland, Ohio, as an electrical engineer—the only member of her sex to stay on at the electrical engineering laboratory after the first year, says *United Press*. Miss Wong's parents have been in the United States for nearly eight years. Her father occupied himself with various professions during that period. The family is returning to China. Miss Wong expects to attend the University of Nanking for the study of Chinese culture. Then she hopes to join the government service as a radio or electrical engineer. Politics do not interest her, but she hopes to do her share of "giving light to China."

M. Metzler, president of the Russian Emigrants Committee and formerly a member of the Russian Consulate-General during the Czarist regime, brought a charge of libel against Nicolai Svetloff, publisher and editor of the *Krivoe Zerkalo* (Crooked Mirror), a humorous Russian weekly which has been in existense for only two months, in the Second Special District Court in Shanghai this week. It is alleged by Mr. Metzler that in an article appearing in the weekly on June 26 a scathing criticism was made of him, saying that he was a fraud and childish. The defendent alleged to the court that Mr. Metzler had, among other things, misappropriated funds and subsidies for Russian schools and had committed malfeasance in office as the head of the committee, and that therefore he is entitled to criticize his actions. The defendant argued that a line appearing in an epigram to the effect "na ruku ne chist" (arm is not clean) does not constitute a libel, but the Court did not adopt his point of view and adjourned the action for further hearing.

Mr. and Mrs. R. G. Kendall will leave Shanghai for the United States in the near future. Mr. Kendall is the agent in Shanghai for the States Steamship Co. which is abandoning its service to the Far East, owing to the expiry of the U. S. mail subsidies.

J. V. Crowe, Manager of Ford Motor Company, Exports, Inc., distributors of Ford products in the Far East, is departing shortly for the United States on leave. Mr. Crowe will join Mrs. Crowe, who departed several weeks ago. They plan to return to Shanghai next December.

Mrs. Liza Hardoon, widow of the late Silas Hardoon (who had accumulated one of the largest fortunes in Shanghai) this week published notices in the Chinese and foreign newspapers that she would not be responsible for debts incurred by George Hardoon, 20-year old reputed adopted son of the late Mr. Hardoon.

The Chemor United Rubber Company, Ltd., and the Shanghai Klebang Rubber Estate, Ltd., will both go into voluntary liquidation, and be amalgamated, by virtue of special resolutions passed by shareholders of the two companies at extraordinary meetings held in Shanghai July 13.

Counsel for Mrs. Valentina N. Sotov, widow of the late manager of the Soviet *Tass* News Agency, who was charged with engaging in communist activities, told the Kiangsu High Court July 10 that she would leave China as soon as her health permits, if the charges again her were dropped. The Court agreed to this proposition and the defendant was ordered to present to the Court a certificate to this effect within three days. Mrs. Sotov was arrested seven hours after the death of her husband at 2.30 a.m. on June 30 at the request of the Chinese Police, it being alleged that she was connected with a bookstore in Bubbling Well Road, where over 320 volumes of books believed to be communist literature were seized. She was released on $300 bail. Mrs. Sotov was represented by N. F. Allman, American attorney.

Secretary General Fessenden Makes Statement on Opium Question

At the meeting of the Municipal Council held on July 14, Secretary-General Fessenden made a further statement on the opium question. In view of the absence of the Commissioner of Police, for health reasons, a small committee of the Council was appointed to give the matter further consideration. The opium situation in Shanghai is discussed in the leading editorial in this issue of *The Review*.

America Sees Japanese Activities as Premeditated

Stunned by Japan's sudden action in North China, all the leading New York journals devoted banner headlines and columns of news to the events outside of Peiping. Unlike some years ago, the American public now fully realizes Japan's premeditated plans to extend her aggressive continental policy south to the Yellow River.

There is no doubt in the minds of U.S. observers that the present strategy is a duplication of events that led to the occupation of Mukden in September of 1931. They are unwilling to predict, however, whether the military mind will attempt to extend the puppet organization to the Peiping-Tientsin area.

The *N. Y. Herald-Tribune* in an editorial July 12 stated that the Japanese army of occupation has scores of officers who are fanatical zealots who do not intend to be bound by any peace policy evolved by the civil government in Tokyo when an incident like the Lukouchiao affair affords these "divinely appointed agents of Japan's manifest destiny a chance to extend Nippon's hegemony over North China."

The editorial hopes that the assumption of the Japanese high command of the North China garrison by Lieut.-Gen. Kioshi Kazuki may curb Japan's "masters of destiny and retrieve all the face he can for Nippon from the ruction that they have started."

Nanking Makes Offer for Settlement of Pacific Development Loan

The Ministry of Finance at Nanking July 4 made an offer of settlement of the so-called Pacific Development Corporation Loan of U.S.$5,500,000 held by certain American banks and banking houses, which provides, among other things:

1.—Against the surrender or assignment to the Chinese Government of such U.S.$5,500,000 notes or the interests of the various holders therein; and of the claims for all interest in arrears, both on the obligation and on the debt originally secured thereby; and of any claims by virtue of agreements supplementary or collateral to the Pacifice Development Loan, the Chinese Government will issue in exchange U.S.$4,900,000 new bonds to be dated and bear interest from July 1, 1937.

2.—Interest on such new bonds will be paid at the rate of 2% for the first year, and will increase by ½% yearly to a maximum of 4% annually.

3.—Payment of principal of the new bonds will be made on July 1 of each year beginning in 1942.

For Views & Opinions

Send Your SUBSCRIPTION TODAY

READ

The China Critic

中國評論週報

Where correct views and opinions are expressed. It comes out every Thursday. Its special features include the following:

EDITORIALS on current affairs, impartial and fearless.

SPECIAL ARTICLES on all subjects of general interest.

WEEKLY INTERVIEWS, Lights on interesting personalities, their views on different things.

THE LITTLE CRITIC, criticism on various interesting topics in the lighter vein, that will make the reader both smile and think.

BOOK REVIEW, thorough and scholarly, serving as a good reader's guide.

CHIEF EVENTS, classified and condensed to save you time in keeping in touch with the current developments.

OFFICIAL DOCUMENTS published of historical records in the future.

$7.00 a year in China
G.$5.00 or £1 ABROAD

桂中樞 KWEI CHUNGSHU, *EDITOR*

朱少屏 P. K. CHU, *BUSINESS MANAGER*

The China Critic
749 Bubbling Well Road,
Shanghai. Tel. 33627

New Books of Interest in the Far East

Three Senators Unofficially Investigate Palestine

The Crisis in Palestine, reports of Hearst Unofficial Senatorial Commission.

William Randolph Hearst sent three United States Senators, Copeland, Austin and Hastings, to Palestine in August, 1936, to investigate the situation, free from bias and prejudice. The three senators say bluntly the British Government must take the blame for the chaos in the Holy Land, and that the American Government should call the attention of Great Britain to the fact that the mandate is not being administered as it should be.

Senator Copeland decided there were two strikes going on, one conducted by the Arab terrorists; the other by the Mandatory Government of Palestine against the proper administration of justice. He recounted a number of atrocities committed by Arabs on American Jews and their property with no convictions on the part of the government. All the senators complain it was a mistake for the High Commissioner to deal from the beginning so leniently with the Arab disorders. Had he taken a firm stand, they assert, a basis for unity could have been worked out; instead, the administration has been weak and vacillating, satisfying neither Jew nor Arab. They recommend the establishment of a Legislative Council in which Jews and Arabs would have parity of elected representation.

What will they now say at the report to the British Cabinet just released, suggesting division of Palestine into three states? Much, one can rest assured, which will add no glory to the muddle, so patently the fault of British officialdom.

M. V.

A Great General in a Decaying Dynasty

Tso Tsungt'ang, Soldier and Statesman of Old China; by W. L. Bales; Shanghai: Kelly & Walsh; $10.00.

This book is a biographical portrait of one of China's foremost soldiers and statesmen. However, he is but little-known among foreigners, probably due to the fact that he had few contacts with them and because he labored in fields that escaped the notice of contemporary observers in other lands. Tso Tsungt'ang lived and fought in the later days of the Manchus, an era notable principally for its corruption and decadence and for the tremendous growth of foreign encroachments which took place. For that reason also he escaped the notice of foreign contemporaries.

Born in obscurity and poverty, self-schooled, the victim of many adversities, Tso Tsungt'ang entered on an official career late in life and by sheer force of genius rose to the highest posts open to a Chinese under the Manchu regime. Throughout his life he was unswervingly loyal to that alien dynasty and labored with all his capabilities to prop up its fast-weakening structure. In light of his achievements, it can be no disgrace to his memory that he failed to completely revivify the dying dynasty. Rather is it surprising that he was able to succeed so well, considering the forces of decay against him.

Tso's principal contributions to the later days of the Manchu regime were his suppression in connection with others of the famous Taiping Rebellion, the quelling of the great Mohammedan insurrection and his reconquest of Sinkiang or Chinese Turkestan. During these campaigns Tso exhibited statesmanlike qualities not usually found in the soldier. Not only were his armies the best in the later-day Empire, but they were also agents of reconstruction. Wherever there was fighting and the land had been devastated Tso attempted rehabilitation with the aid of his soldiers. He was an ardent agriculturist, and wherever he went he tried to put the fields back in cultivation not only so that his soldiers might be fed, but because only in that way could the people be encouraged and true foundations be laid for China's greatness in the new world which Tso foresaw.

For this Chinese general, who had so few contacts with the western world, was a great admirer of the technique of the foreign intruders. He was one of the first who recognized the value of a navy for China, who realized the necessity of protecting a long and exposed coastline, hitherto ignored by his Chinese contemporaries. He attempted to arrange the beginnings of such a navy while in Foochow, but his efforts came to nought. But he was able to establish in Lanchow a full-fledged arsenal, where modern weapons of war were manufactured, and the products of this arsenal were successfully used during his campaigns against the Mohammedans of Shensi and Kansu and during his re-conquest of Sinkiang.

Mr. Bales has performed a real service in presenting to the English-reading public this sympathetic picture of a great and little-known man. His book is well-written and throws a new and interesting light on the last days of the Manchu regime.

D. D.

A Society Belle on the Loose

And I'd Do It Again, by Aimee Crocker (Princess Galitzine); Coward McCann, Inc., New York.

Born of one of the prominent families of the West coast of the United States, Aimee Crocker, rebelled at the straight-laced heavily chaperoned path, most young wealthy girls are forced to follow, and "got out from under" defying tradition and her parents, chartered a boat and sailed away. She first visited the Hawaiian Islands, not yet American territory at that time, and still ruled by a King. Her adventures from there on, coupled with dangers, are recored in full, taking in China, Japan, Java, the Malay Peninsula and India. Needless to say, she furnished excellent society newspaper copy and the world followed her adventures and experiences, both foreign and domestic.

In a rather casual way she relates her romantic episodes first hand and the telling of them has a most dramatic sting. She had the courage not only to delve where other women would fear to tread (even if they held the desire), but to tell it in a straightforward manner, which discloses a warmth of feeling and philosophy which are peculiarly her own.

M. P. W.

While Her Husband Saw the Sea

Navy Wife Goes East, by Eilleen Walker. William Blackwood & Sons, Ltd., Edinburgh & London.

"A few years ago I wrote my reminisences to amuse myself and in the hope of astonishing my friends," writes the author of this book, so perhaps it was that inspiration that led to the second book, which deals simply with her life spent in the Far East. While she may have had the same idea in mind, she undoubtedly will astonish readers who have been long resident in the Orient, although in all fairness the author begs them not to be too critical. It may prove an amusing evening for her friends, but I find it neither amusing nor charming.

Her impressions naturally were gathered during fleeting trips from Singapore to Weihaiwei and like some Navy wives her existence in the Orient didn't bring her in contact with anything but a superficial life. The author, however, deserves credit for making an attempt to get acquainted with the people of the Orient and to appreciate their cultural background. It is always amusing and a bit difficult to understand why some authors take an opportunity like this to "rap" any nationality other than their own especially when based on such weak impressions gained by observing a few they chanced to meet, which unfortunately reflects on the authors' own lack of culture. We hope her own friends were charmed with the book.

M. P. W.

Gen Feng Yu-hsiang Writes Book on "One Year in the Capital"

"One Year in the Capital" is the title of a new book written by General Feng Yu-hsiang, Vice-President of the Military Affairs Commission. The book deals with the reconstruction work, political reforms, social conditions and characteristics of the people.

"Fortnightly Survey" Discusses Cabinet Changes in Japan

The recent Cabinet changes in Japan with the arrival of the new Premier, Prince Fumimaro Konoye, will not materially affect the policy of Japan toward China, according to the *Fortnightly Survey of Current Events* for June 16, which is published by the Research Staff of the Council of International Affairs.

Other articles included in the same issue of the publication are The Opium and Narcotic Problem, General Chiang Plans Mobilization of Intellectual Forces, The Hai Ho Corpse Mystery, China Plans to Adopt State Medicine, and Banks to Aid Farm Products Distribution.

The Europeanization of the Orient

An interesting article on *The Europeanization of the Orient*, by Hans Kohn of Smith College, appears in the June issue of the *Political Science Quarterly*, issued by Columbia University, New York. The author says that since the World War, the Europeanization of the Orient has been characterized by three traits which have intensified and extended the process to a degree entirely unknown before 1919. The first of these traits is the penetration of Europeanization from a narrow stratum of upper middle class intelligentsia to the broad masses of the people. The second is the realization that modernization of the political and intellectual life of the country, that equality with European nations, is entirely impossible without a thorough reorganization of economic life. The third is the ready acceptance of modern civilization, not only because there is danger of extinction without it, but also because its potentialities for higher standards of life for the masses are recognized.

NANKING ALLEGES JAPANESE USED TRUCE IN NORTH TO GAIN TIME FOR REINFORCEMENTS

(*Continued from page 237*)

Tsinghua Students Encourage 29th Army Troops

A delegation of the students of the National Tsing Hua University visited the various units of the 29th Army in Peiping and neighborhood July 11 to express appreciation of their resistance against Japanese aggression. The students also made numerous gifts to the soldiers.

Leith-Ross Hopeful of Peaceful Settlement in North China

"Tanks and military lorries do not make the best commercial travellers," declared Sir Frederick Leith-Ross, Chief Economic Adviser to the British Government, in referring to the present situation in China in a speech at a dinner given in London July 13 by the Federation of British Industries to the Japanese Economic Mission visiting England. He, however, expressed confidence that commonsense would prevail and overcome all difficulties.

Sir Frederick said he was very glad to see there was an expansion of Japan's trade with China during the last 18 months, but expressed the belief that this could be much improved by a better understanding between the two countries. Incidents such as the present one, he proceeded, were bound to recur as long as the territorial integrity and normal sovereign rights of China were not respected.

Japanese Press Sees a "Lull Before the Storm"

A lull before the storm is how the Japanese press described the situation July 13, with both sides engaged in concentrating their respective forces. The Tokyo newspapers stressed that the Japanese authorities are obliged to proceed with "their fixed plan of self-defense." Meanwhile, war-time insurance rates on shipments to China were enforced from said date.

With tension unabated after five nights of intermittent firing, many hundreds of Chinese and Japanese residents began an exodus from the ancient capital on the morning of July 13. The Japanese contingent was led by the families of the South Manchuria Railway Company's employees, who left for Dairen. All means of transportation were being employed by the badly frightened populace to leave the city for Tientsin, Manchuria and other points regarded as safe.

Ambassador Kawagoe Sees No Serious Complications

S. Kawagoe, the Japanese Ambassador, made a courtesy call on Admiral Shen Hung-lieh, Mayor of Tsingtao, July 10. Mr. Kawagoe thanked Mayor Shen for his efforts in effecting an amicable settlement of the Sino-Japanese incident (the strike in a Japanese cotton mill) which occurred in Tsingtao last winter and the recent misunderstanding concerning the transfer of the Salt Revenue guards. According to Mr. Kawagoe, the Lukouchiao incident will not give rise to any serious complications.

Tsingtao Residents May Ask for Protection

Japanese officials stationed in Tsingtao July 11 decided to ask the Tokyo Government, "should the circumstances warrant it," to dispatch troops to Tsingtao for the protection of Japanese lives and property. Responding to an official Japanese request, the Chinese municipal authorities undertook to take all necessary steps for the protection of Japanese nationals in the city.

Japan Emphatically Says She Wants No Intervention

It was learned at Washington July 13 that a communication had been received from the British Government on the subject of the Sino-Japanese situation. *Havas* said London proposed immediate consultation among the foreign powers and joint action. Secretary of State Hull was, however, quoted as saying that the United States would continue to pursue an independent policy regarding developments in China.

A *Havas* message July 14 indicated that the following measures were being discussed in Washington to localize the Sino-Japanese conflict:

1.—Representations of the powers to the Chinese and Japanese Governments recommending the adoption of the method of conciliation;

2.—Consultations of the signatories of the 9-power Treaty;

3.—An Advice to China to appeal to the League of Nations; and

4.—The application by the United States of the recently passed neutrality law if the present incidents should become a general war.

"We do not care for foreign intervention," was the emphatic reply given in Tokyo, July 14, to foreign correspondents who questioned the spokesman of the Foreign Office on reports of possible foreign mediation in the North China crisis.

PAMPHLETS OF INTEREST
China Chronicle Series.

		Price.
1	Guide to "Peking"	$0.80
2	The Japanese Recognition of "Manchukuo"	0.25
3	Official Summary of the report of the Commission of Enquiry into The Sino-Japanese Dispute	0.50
4	The Future of China	0.10
5	Tibet under The Dalai Lama	0.30
6	Some Canine Breeds of Asia	0.40
7	Report on Technical Cooperation between The League of Nations and China. *By Ludwig Rajchman.*	0.60
8	The New Life Movement. *By Chiang Kai-shek*	0.30
9	Confucius and Present-Day China. *By Shao Yuan-chung.*	0.30
10	Some Remarks on the Worship Offered Confucius in the Confucian Temple. *By L. C. Arlington*	0.50
11	The Buddhist Cave Temples at Yun-kang. *By Dr. Gordon King*	1.00
12	"Nanking: The Capital" *By Dr. Ralph A. Ward*	0.20
13	Wang An-shih. *By The Rev. H. R. Williamson Litt. D.*	0.40
14	Some Earlier Embassies to China	0.20
15	When The West Came to the East. *By W. Sheldon Ridge*	0.40
16	China, Mongolia and Russia	0.25

ON SALE AT:

THE PEIPING CHRONICLE

2, Mei Cha Hutung, Peiping, China — Teleg. Address: "Chronicle"

CHINA'S POSTAL AND OTHER COMMUNICATIONS SERVICES

By Dr. Chu Chia-Hua
Minister of Communications, 1932-35.

CONTENTS

Chapter 1. THE MINISTRY OF COMMUNICATIONS
" 2. THE POSTAL ADMINISTRATION
" 3. THE POSTAL REMITTANCES AND SAVINGS BANK
" 4. MARINE AND NAVIGATION ADMINISTRATION
" 5. TELEGRAPHS, TELEPHONES AND WIRELESS
" 6. COMMERCIAL AVIATION
" 7. ACCOUNTING

• • •

"In presenting an effort to describe the nature and scope of the communications facilities existing in the Republic of China, the author would remind his readers that while the book deals mainly with the period during which he was Minister of Communications (November 1932 to December 1935), the record has been brought down to a much later date. In order to bring essential facts and figures covering recent developments into review, and to put on record references to the many directions in which considerable progress has been made in all departments since the affairs of the Ministry have been in other hands, an endeavour has been made to include the more essential extensions of communications and other facilities which have been successfully put into operation since the end of 1935 by his successor in office, thereby making the review as complete as possible of conditions as existing at the end of 1936."—*Author's Foreword.*

Price: In China $7.50 (postage 30 cents). Abroad G.$3.00 (post free)

Obtainable at the CHINA UNITED PRESS and all leading Booksellers throughout China

• • •

AGENTS ABROAD:

Hongkong: Kelly & Walsh, Ltd. South China Daily News
Singapore: Kelly & Walsh, Ltd.
Batavia: Dagblad "Sin Po"
Sourabaya: Dagblad "Pewarta"
Manila: Philippine Education Co., 101-105 Escolta.
Mr. P. H. Peng, P.O. Box 1772
Berlin: Mr. Lin Tsiu-Sen, 54 Schlüterstrasse.
Tokyo: Maruzen & Co., 6 Tori-Nichome Nihonbashi.
New York: G. E. Stechert & Co., 31 East 10th Street.

London Publishers: Kegan Paul, Trench, Trubner & Co., Ltd., 38 Great Russell St., W.C.

Plan of Rural Reconstruction

Proposed by Peng Sho-pei and Collaborators at the third Plenary Session of the Fifth Central Executive and Supervisory Committees of the Kuomintang. The present plan has been approved in principle by the above Committees and handed to the Executive Yuan for elaboration and execution.

The basic idea of this plan is to enlist those intellectuals, not suitably employed in the cities, for rural reconstruction work. Adequate training shall be given to them before their appointment as directors of agriculture, public health and economics. Their duties consist of going around in the country, giving personal advice and instructions. Salary and a certain extent of administrative power shall be granted to them by the Government.

It should be understood at the same time, that the object of the plan is to supply the interior with modern techniques and to put an end by every effective means to the extreme hardships of the people, since so many of them live under great difficulties, and so many places lack the facilities of modern science.

However on the other hand, there are a great number of graduates from various colleges and universities, who ardently desire to serve their Country and Society, but who are unable to find any kind of employment. This is the cause of great anxiety to the authors of the present plan.

Although China's interior is vast and the slogan "Back to the country" has been so often heard, there is yet no way for intellectuals to return to the country and render effective service, when capital and government backing are lacking. If these educated citizens are to be made useful and to be distributed in the interior, the Government must take the matter into its own hands in order to send them to the country under governmental protection and help.

It is also necessary that the Government should give them proper direction and instruction, for this new kind of work is to be undertaken mostly by young people.

The authors of the present plan welcome criticism, amendments and additions; but brief explanation on certain points may be helpful for discussion:

I. Order and safety are naturally the first prerequisites to rural reconstruction. However, discussion of this subject has been purposely omitted, on account of the economic character of the present plan.

Furthermore education, which is of great importance, has been also overlooked in the present plan, as this matter is beyond the activity of a handful of directors.

2. Before the appointment of directors, the program of their work shall be determined in order to avoid inefficiency.

Although the directors' work may seem vague and vain, it is in reality most positive. For instance, in public and private health the fact that an official goes around giving positive directions is of the greatest help, though what he does may be only a part of common knowledge on medicine and pharmaceutics. Country people suffering from malaria sometimes endure it for 2 or 3 years. If they knew how to use quinine properly, they would be cured in 2 or 3 weeks. It is just the same with vaccination and disinfection and the prevention of contagious diseases. Such measures are sometimes very simple and cost almost nothing, but it is a pity that there is nobody to tell these people about them.

The agricultural revolution would be certainly somewhat difficult, but the improvement in crops, waterworks, extinction of harmful insects and reforestation, which in fact is not necessarily a very complicated matter, would increase sensibly agricultural production.

In the field of economics, in regard to the abolition of various extravagant expenses, the limitation of the high interest on loans, direct relations between producer and consumer with the suppression of the middle-man, the organisation of co-operative societies and granaries, some of the easier points can certainly be accomplished, which will promote economic life and will pay interest on the officials' salaries. An important point is that they should not work in their town or city office, but actually go down into the country.

3. The officials shall be appointed and their salaries fixed by the proper department in the provincial Governments, which shall give them the necessary instructions. Candidates registered by the Central Government shall be handed down for appointment to provincial Government.

4. The employment of law and arts graduates being generally limited in this field, if they are to head agriculture, public health, and economic work, they should undergo special training for the purpose. In case of employment in their own line, such training shall be unnecessary.

5. A man with a business of his own in the country where he is appointed, would be the ideal official. Instead of being versatile, he will remain on the spot with growing interest and attachment and by his life-long presence, he will contribute a great deal to the development and prosperity of the villages.

I beg hereby to thank Mr. LO LIEN for the discussion of the plan and the opinions he kindly offered during the draft of the same.

THE PLAN OUTLINED

Objects.

1. *Reconstruction of the interior.*
2. *Distribution of the educated people in the interior.*
   Formerly there were a certain number of scholars, physicians, businessmen and handicraftsmen in the interior who maintained civilization and improved the local customs, but owing to many years' of disturbances by bandits in these regions, their numbers have greatly diminished so that it has now become an urgent necessity to find a way to make up this deficit. With so many of the educated classes unemployed in the cities, this surplus should be sent into the country; for this purpose, the Government should take positive measures in order to allow them to return to their homes and render services to the utmost of their capacity.
3. *Suppression of the latent social and political danger.*
   The fact, that a large number of intellectuals, who are gathered in the cities, find no outlet for their abilities, is a real social and political danger as well as a national economic waste. Under these circumstances, they should be distributed in the country with Government aid and backing.

Procedure.

I. Registration by the provincial and municipal authorities of graduates from high schools upwards.

II. Experts required for rural reconstruction:
   a. Expert on agriculture.
   b. „ on public health.
   c. „ on rural finance and cooperative societies;
   We purposely exclude the question of experts on education, on account of the great number required.

III. Method of employment.
   Appointment of technical directors to all hsiens.
   a. Director of agriculture,
   b. „ „ public health,
   c. „ „ economics.

IV. Appointing authority.
   Proper departments in the provincial and municipal Governments.

V. Treatment.
   1. Local conditions shall be taken as standard for the fixing of pay.
   2. To all agriculture and afforestation experimental Farms, cooperative societies headquarters, hsien and municipal banks and hospitals, there may be attached an office for the technical directors. In this way their expenses may be curtailed without obstructing the performance of their work.
   3. In case of necessity public establishments in all cities, hsien and villages may be turned into hospitals, sanatoria, agricultural inquiry offices.

VI. Qualifications for directors.
   a. Graduates from colleges upwards;
   b. „ in law and arts, without the necessary rural knowledge as previously noted, may attend the classes in the provincial, municipal or nearest University for the purpose of acquiring the special scientific technique.
   The duration of the course shall be fixed at from one to three years. Economics and agriculture: 1 to 2 years
   Medicine : 3 years.
   Upon the termination of their studies, they may hold the position of director.
   c. Graduates from high and middle schools may attend the provincial and municipal University or college classes for the purpose of acquiring the necessary rural knowledge. Upon the termination of their studies, they may hold the position of deputy director.
   d. The courses to be studied shall be determined by the Ministry of Education with the assent of the Ministries concerned.
   e. A certain number of hsiens shall be designated as training centres for Rural Reconstruction officers. Adequate instructors and accommodation shall be provided. All students designated for rural reconstruction work shall undergo training for half a year in a designated hsien.

VII. Scope of work
   1. Directors of agriculture.
      a. Crop improvement.
      b. Water conservancy works.
      c. Afforestation.
      d. Animal husbandry and horticulture.
      e. Prevention of animal diseases and insect control.
      f. Other agricultural techniques.
   2. Directors of public health.
      a. The improvement in the prevention of epidemics.
      b. The cure of diseases
      c. The inspection of the improvement in rural public health.
      d. To report to proper authorities on local epidemics in order to secure early assistance.
   3. Directors of economics.
      a. The organisation of cooperative societies.
      b. The transportation of agricultural products.
      c. To make connections with outside markets.
      d. To serve as an intermediary between the Farmers' Bank and the people.
      e. The prevention of exorbitant interest on loans.
      f. To advise on the abolition of extravagant wedding and funeral expenses as well as on the suppression of gambling and opium smoking.

VIII. Government aid.
   1. Only from college or university graduates shall be appointed magistrates in order to ensure strong backing and perfect understanding for the work of the directors.
   2. The proper authorities shall keep a record of the work of the directors for the purposes of promotion and dismissal as well as reward and fine.
   3. The provincial and municipal Governments shall give proper appropriation to subsidize the work of the directors, in accordance with local financial conditions. This appropriation shall be embodied in the respective annual budgets.
   4. The Central Government shall provide 5,000,000 dollars per annum as a rural reconstruction fund, the use of which shall be divided into two items:
      a. Subsidies, not exceeding half of the rural reconstruction budget, granted to provinces and cities according to their merits.
      b. Subsidies granted to the provincial and municipal training classes, or to the colleges entrusted with training work by the provincial and municipal authorities, not exceeding fifty per cent of their original budgets.
   5. Decorations and Merit medals shall be conferred upon rural reconstruction officials for long service.
   7. The Ministry of Personnel shall decide upon the status of the rural reconstruction officials, including them in the body of civil service.

IX. Relations between the various directors and the hsien and municipal Governments.
   The directors, having their duties on their respective territories, shall naturally be under the administration of the magistrates or mayors, who shall give them the necessary authority for the accomplishment of their mission, without which efficiency or success can not be expected.
   On the other hand, the recognition of these officers as hsien or municipal Government officials is unnecessary. Their enlistment for work under these administrations should be prevented in order to leave them more time for the discharge of their own duties. The best course to follow would be to select local residents for these positions, for on the one hand, they will carry on their official duties, while on the other, they will be able to take care of their private businesses as agriculturists, doctors, merchants. After adequate achievement of their mission, resignations may be granted, in order to allow them to devote their time to their own affairs and transfer their positions to others. As a matter of fact, the residence of these people in the villages is of great benefit to the country.

Proposed by: Peng Sho-pei.
Seconded by: Tseng Chun-min, Ch'u Min-yi, Ch'en Shu-jen, Liang Han-ts'ao, Hsu K'an, Ch'ao Ti-hwa, Liu Wei-chih, Woo Pao-feng, Chan Tao-fan, Tseng Yang-fu, Lo Chia-lun, Ch'eng T'ien-fang, Li Wen-fan, Wang Mou-kun, Hsiung Shih-hui, Huang Hsu-ch'u, Wang K'un-lun.

MODERN CANTON

BY

EDWARD BING-SHUEY LEE

$5.00

THIS BOOK TELLS THE STORY OF THE DEVELOPMENT INTO A MODERN CITY OF THE MOST INTERESTING CITY IN SOUTH CHINA

ON SALE AT

The China Weekly Review

160 Ave. Edward VII Shanghai

Can Japan Survive?

This pamphlet of a dozen pages embraces a series of articles dealing with Japan's present problems, which were written by Nugent Rugge and published in *The Review* in March and April of this year.

Copies may be obtained at 15cts. each or $1.50 for a dozen, including postage. Send orders

to

THE CHINA WEEKLY REVIEW

160 Ave. Edward VII

Shanghai.

AMOY MANILA LINE

S. S. "HAI HENG"

SAILING SCHEDULE

Amoy Departure		Manila Departure	
Sat.	17 July 4 p.m.	Thurs.	22 July 11 a.m.
Wed.	28 July 4 p.m.	Mon.	2 Aug. 11 a.m.
Sat.	7 Aug. 4 p.m.	Thurs.	12 Aug. 11 a.m.

Manila Arrival		Amoy Arrival	
Tues.	20 July	Sat.	24 July
Sat.	31 July	Wed.	4 Aug.
Thurs.	10 Aug.	Sat.	14 Aug.

China Merchants' Steam Navigation Co., Ltd.

Latest New York Stock Exchange Quotations

July 14, 1937

Stock Exchange—Business Done:-

Total Volume: 850,000 Shares

1937 High	1937 Low	Div. $ per sh.	STOCK	Last Sale July 12	Last Sale July 13
22⅜	15	0.55	Adams Express	18⅛	18⅝
83½	57½	2.00	Allis Chalmers	69	68¼
121	90¾	5.00	American Can	102¼	104½
35⅞	26⅝	0.60	Amer. Cyanamid "B"	32½	32¾
13¾	6	—	American & For. Power	8⅞	8½
68⅝	47½	—	American & Foreign Pwr. $7. pfd.	53	53
29½	18¾	0.60	American Radiator	21⅛	21
187	159⅝	9.00	Amerıcan Tel. & Tel.	169½	169¼
99	74½	5.00	American Tobacco "B"	78½	77¼
29½	16	0.80	American Waterworks	18⅜	17⅞
69½	48½	1.25	Anaconda Copper	56¾	55¾
93⅜	69½	2.00	Atchison, T. & S. Fe	82¾	81½
36¾	14½	—	Auburn	18	17½
40½	20⅝	—	Baltimore & Ohio	29⅛	29
105½	78	2.50	Bethlehem Steel	92⅝	92
49¾	27½	—	Boeing Airplane Co.	33⅜	33⅜
17½	12½	—	Canadian Pacific Railway	11⅞	11¾
176½	138	4.00	Case, J. I.	170	169
90½	62	3.00	Chesapeake Corp.	79	78¼
68⅞	50⅛	2.80	Chesapeake & Ohio	56	54⅞
135¼	95⅛	13.00	Chrysler	105¼	103
20⅝	10½	0.40	Columbia Gas Electric	12½	12⅜
21¼	13	0.80	Coml. Sovents	13⅞	13⅝
4¼	2⅛	—	Commonwealth & Southern, ord.	2⅝	2½
49⅞	32	2.25	Consolinated Edison	36⅜	35½
17⅞	14⅝	0.80	Consolidated Oil	16½	16⅝
48⅜	40¼	1.25	Continental Oil	48⅜	47½
71¼	55	3.75	Corn Products	63	63⅛
77¼	48	—	Douglas Aircraft	61⅛	60⅛
180⅛	148½	5.95	Du Pont de Nemours	155½	156¼
28⅛	14	—	Electric Bond & Share	18⅛	17⅝
64⅞	50⅜	1.65	General Electric	56⅞	56⅜
44¾	36⅜	2.35	General Foods	38¼	38¼
70½	48¾	4.00	General Motors	53⅝	52¾
65⅛	42	1.00	General Railway Signal	48	45
50½	31	1.50	Gold Dust	40¾	39¾
47⅜	27⅜	1.00	Goodyear Tire & Rubber	40½	40⅛
87	73½	0.37	Humble Oil	82¾	82
73⅜	55¼	1.75	International Nickel	62	61⅜
15⅞	9⅞	—	International Tel. & Tel.	11⅞	11⅞
69⅜	51	1.95	Kennecott	60¼	59⅜
84½	64½	4.00	Loew's Inc.	80¼	80½
28⅝	20	1.50	Lorillard	22⅛	22⅛
101	85	3.00	Monsanto Chemical	98	98½
69	50¾	4.30	Montgomery Ward	62	60¾
33¾	23	0.72	Nat. Bond Investment	27	28
26⅞	18¾	1.20	National Dairy Prods.	20⅛	20⅛
35	27½	2.75	National Distillers	30¾	31
14⅜	8⅞	0.60	National Power & Lt.	10	10⅛
55¼	34⅞	—	New York Central	41¼	40¼
34⅞	21¾	1.30	North American	26⅛	25¼
38	28½	1.75	Pacific Gas & Electric	30⅝	30⅜
53¾	40½	3.00	Pacific Lighting	43	44
12⅜	8	0.50	Packard Motors	9⅛	9⅛
50¼	34¾	1.00	Pennsylvania Railroad	40¼	39¼
60¼	49½	2.75	Phillips Petroleum	60¼	60⅞
52¾	37	2.65	Public Serv. of N. J.	41¼	40¼
12⅝	7¾	—	Radio Corporation of Amer.	9¼	9¼
58	49	3.00	Reynolds Tobacco "B"	50½	50½
51¾	38⅝	4.50	Schenley	42½	43¼
95⅝	81	6.75	Sears Roebuck	92⅞	92⅝
21¼	16¼	0.75	Socony-Vacuum	21¼	21
32½	23½	1.50	Southern California Edison	24⅞	24⅜
65⅜	41½	—	Southern Pacific	48⅜	48¼
16¼	11¾	1.05	Standard Brands	13	12⅜
14⅞	5⅞	—	Standard Gas & Electric	8½	8⅜
76	63⅝	2.50	Standard Oil Co. of N. J.	70⅛	70
75	62	4.10	Sterling Products	63	62⅞
44	34¼	2.50	Texas Gulf Sulphur	36¼	36¼
17⅝	12½	0.45	Transamerica	13¾	13⅞
111	95	2.90	Union Caride & Carbon	103⅛	101½
148¾	122	6.00	Union Pacific	130½	132½
35½	24¼	0.50	United Aircraft (New)	31⅛	30¾
24⅜	14¾	0.20	United Airline Trans.	18⅛	17¾
13⅝	4	—	United Corporation	5⅛	5⅛
17	11⅛	1.00	United Gas Improvement	13⅛	12⅞
43⅝	28⅝	—	U. S. Indus. Alcohol	31	32
72⅜	41¼	—	U. S. Rubber	61⅞	60½
126½	75	—	U. S. Steel	112¾	112⅝
39⅝	24¾	—	Vanadium	30⅜	30½
18	12	—	Warner Bros. Pictures	14⅛	14⅛
167⅝	130¼	6.00	Westinghouse Electric	149	147¼

Call Money: 1 %

SWAN, CULBERTSON & FRITZ

SWAN, CULBERTSON & FRITZ

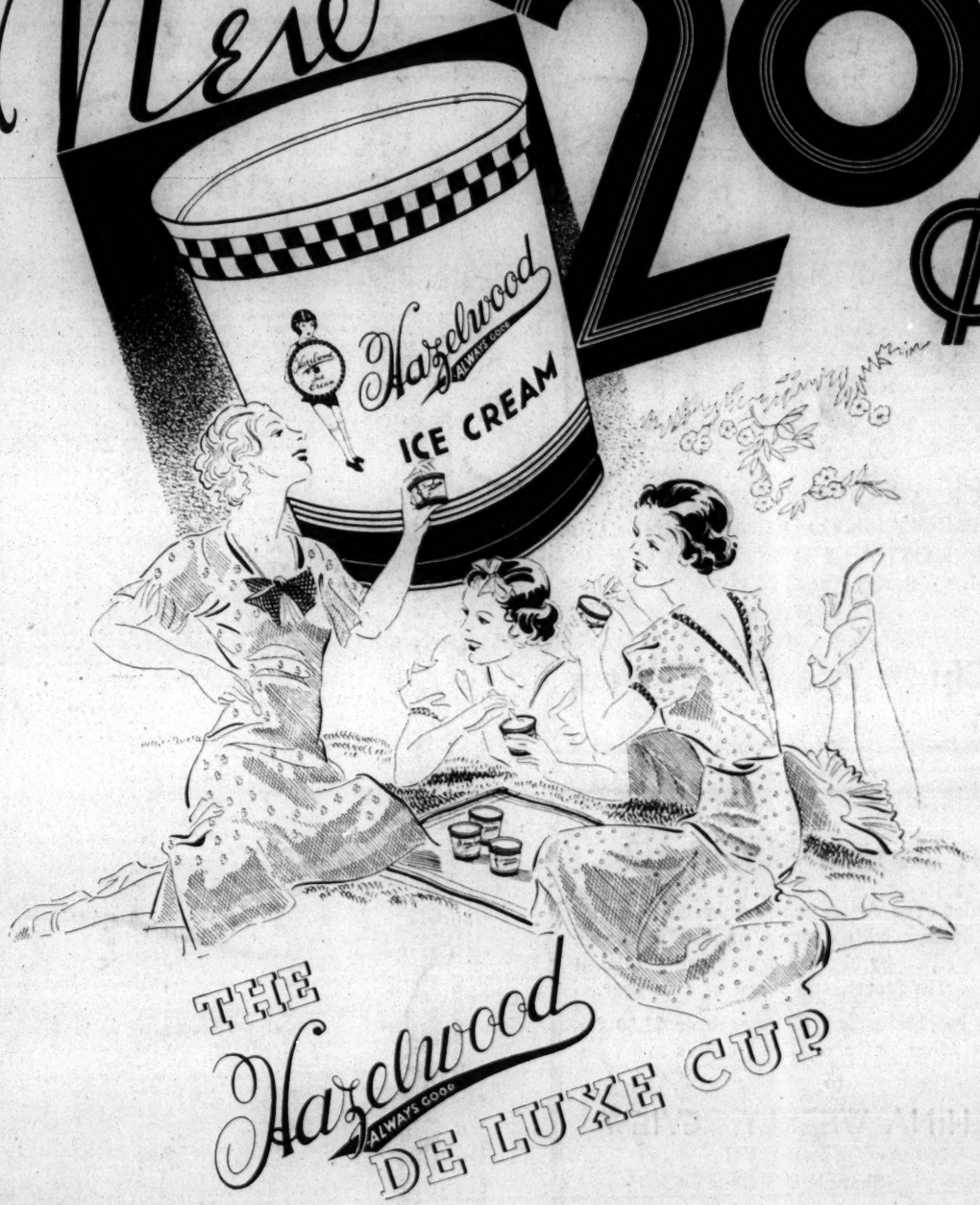
Investment Bankers

and Brokers in Securities and Commodities

Daily New York and London Stock Exchange Service

Sassoon House Telephone 11200

New 20¢



THE Hazelwood ALWAYS GOOD DE LUXE CUP

LARGER . . . *More of that delicious ice cream*

. . . *BUT no increase in price.*

ATTRACTIVE . . . *The well known*

Hazelwood colors . . . *yellow and blue* . . .

are combined in this beautiful cup.

中華郵政特准掛號認爲新聞紙類

Registered at the Chinese Post Office as a newspaper for transmission with special marks privileges in China